

**CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)**

FINANCIAL STATEMENTS

**FISCAL YEAR ENDING MARCH 31, 2010
AND COMPARISON TO PRIOR FISCAL YEAR**

**AUDIT COMMITTEE REPORT PREPARED BY THE 2010 CFES/FCST AUDIT COMMITTEE
BASED ON RECORDS MAINTAINED BY PATRICK RYALL, CFES/FCST TREASURER AND
INCORPORATING RESULTS AND REPORTING FROM PRIOR AUDIT REPORTS BY
MACKAY LLP, CHARTERED ACCOUNTANTS**

**CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)**

Financial Statements

Fiscal Year from April 1, 2009 to March 31, 2010

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AUDIT COMMITTEE REPORT

TO THE MEMBERS OF

CANADIAN FEDERATION OF EARTH SCIENCES (CFES) / FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)

On May 7, 2010 at the 8th CFES/FCST meeting in Calgary, a motion was passed for the creation of an Audit Committee consisting of 3 representatives from member societies. In August 2010, Robert Stewart, Sonya Dehler and Grant Ferguson agreed to serve on the 2010 Audit Committee. On August 24, 2010, the 2010 Audit Committee met with CFES/FCST Treasurer Patrick Ryall at the Bedford Institute of Oceanography in Dartmouth Nova Scotia for a thorough review of the financial statements and supporting documentation related to the CFES/FCST fiscal year ending March 31, 2010 (FY2009). The CFES/FCST financial documentation are the responsibility of the CFES/FCST management. The 2010 Audit Committee's responsibility is to express an opinion on these financial statements based on our reviews.

The 2010 Audit Committee planned and conducted its review to obtain reasonable assurance whether the financial statements are free of material errors. All invoices, expenses and bank charges were matched to corresponding cheques and bank account fees. All revenue sources including cashing of investments were matched to deposits. Bank balances from the start and end of the fiscal year were reconciled with receipts and disbursements. The Auditors' Report by MacKay LLP for the years ending March 31, 2008 and 2009 were also reviewed and reconciled to the current years' financial statements.

It is the opinion of the Audit Committee that these financial statements accurately represent the financial position of CFES/FCST at March 31, 2010 and that the Federation's operations and cash flows were in accordance to generally accepted principles. The Audit Committee commends Patrick Ryall for the well-organized, complete and thoroughly prepared documentation and financial statements that greatly facilitated a thorough and transparent review. The Audit Committee members are not accountants and for continuity and clarity, this report incorporates the presentation style and some acknowledged comments made in the two previous Audit Reports by MacKay LLP, Chartered accountants. Any errors or omissions in this report are attributable to the Audit Committee only and should not be attributed in any way to MacKay LLP.

Halifax, Nova Scotia
September 16, 2010
Signed in behalf of the Audit Committee

Robert Stewart, Audit Committee Chairman

**CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)**

Statements of Operations and Changes in Net Assets

For the years ended March 31,	2010 FY2009	2009 FY2008
Revenues		
Society Dues	\$ 40,982 (A)	31,322 (A)
Interest Income (schedule 5)	1,490 (B)	2,759
Natural Resources Canada block funding	28,000	25,000
Donations	1,000	-
CGF (4 Billion Year Book Project)	8,000	-
CanGeoRef	12,676	-
Canadian Revenue Agency (tax penalty partial refund)	2,814	-
Bank Credits	60	-
TOTAL	95,022	59,081
Expenditures		
Operating Expenses (schedule 1)	71,249	89,576
Natural Resources Canada Funded Projects (schedule 2)	2,200	4,400
Committees/studies/projects Expenses(schedule 3)	6,444	-
Nuna Gussow conference loss	-	14,985
TOTAL	79,893	108,961
Surplus (Deficiency) of Revenues over Expenditures	15,129	(49,880)
Surplus, beginning of years (Based on actuals and accruals)	96,368 (F)	146,249
Surplus and Accounts Payable from previous report	114,460	
(Based on FY2009 actuals)	115,810 (F)	
Surplus, end of years	130,939	96,368 (F)

See accompanying Financial Statement Notes 1 and 2 and 2010 Audit Committee Notes (A), (B) and (F).

CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)

Statement of Financial Position

For the years ended March 31,	2010	2009
	FY2009	FY2008

Assets

Current

Cash	82,716	34,372 (D)
Accounts Receivable	0	17,353 (A)
<u>Cumulative GST Recoverable (includes prior years)</u>	<u>7,512 (C)</u>	<u>3,514 (C)</u>
	90,228	55,239
 <u>Investments (Note 3)</u>	 <u>40,711</u>	 <u>59,221</u>
	130,939	114,460

Liability

Current

Accounts payable	0	18,092 (F)
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<u>Surplus</u>	<u>130,939</u>	<u>96,368 (F)</u>
	130,939	114,460

See accompanying Financial Statement Note (3) and 2010 Audit Committee Notes (A), (C), (D) and (F).

Approved by the Board:

signed "Patrick J.C. Ryall" Treasurer / Director

signed "Bill Mercer" President / Director

CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)

Statements of Cash Flows

For the years ended March 31,	2010 FY2009	2009 FY2008
Cash provided by (used for)		
Operating activities		
Surplus (Deficiency) of revenues over expenditures	15,129	(49,881)
Fiscal 2008 dues received in fiscal 2009	14,268 (A)	-
<u>Item not affecting cash GIC Interest Accrual</u>	<u>(1,490)</u>	<u>(2,691)</u>
	27,907	(52,572)
Change in non-cash working capital items		
Accounts receivable	3,998 (C)	(13,768) (A)
GST (recoverable GST per fiscal year)	(3,998) (C)	(1,533) (C)
<u>Accounts payable</u>	<u>0</u>	<u>11,076</u>
	27,907	(56,797)
Investing activities		
Purchase of investments	-	(53,862)
<u>Proceeds on redemption of investments</u>	<u>20,000</u>	<u>93,862</u>
	20,000	40,000
Increase (decrease) in cash	47,907	(16,797)
Cash, beginning of years (Schedule 4)	34,809 (D)	51,169
Cash, end of years	82,716 (D)	34,372 (D)

See accompanying 2010 Audit Committee Notes (A, (C) and (D).

Notes to the Financial Statements: March 31, 2010 and 2009

1. Nature of Operations

“Canadian Federation of Earth Sciences (the “Federation”) is a non-profit organization chartered under the provisions of Part II of the Canada Corporation Act as Canadian Geoscience Council-Conseil - Geoscientifique Canadien, which changed its name effective March 26, 2007 to Canadian Federation of Earth Sciences / Federation Canadienne des Sciences de la Terre. Its principal activities include promoting scientific awareness and education, providing expert advice concerning the earth sciences, attending and participating in related international conferences, and providing liason between various levels of government and companies involved in geological activities.”

2. Significant accounting policies

“The following is a summary of the significant accounting policies used by management in the preparation of these financial statements:

(a) Fund accounting and revenue recognition

The Federation follows the restricted fund method of accounting for contributions. The Federation recognizes revenue on an accrual basis, whereby amounts granted relating to the current fiscal year, but not received until after year-end, are recognized as revenue.

(b) Contributed services

Volunteers contributed time to assist the Federation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(c) Financial instruments

Effective April 1, 2007 The Federation adopted The Canadian Institute of Chartered Accountants’ (“CICA”) Handbook Section 3855: Financial Instruments – Recognition and Measurement and CICA Handbook Section 3861: Financial Instruments – Disclosure and Presentation. These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments.

Under Section 3855, financial assets and liabilities are initially recognized and subsequently measured based on their classification.

CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
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The Federation has designated its cash and cash equivalents as held-for-trading and, as such, these financial assets are measured at fair market value. Gains and losses realized on disposal, unrealized gains and losses from market fluctuations and other investment income are reported in the Statement of Operations. The investments in GIC's, accounts receivables and other liabilities are measured at amortized cost using the effective interest rate method.

There was no impact to the financial position of the Federation upon adoption of the new standards.

As permitted for Not-for-Profit Organizations, the Federation has elected to continue to apply Canadian Institute of Chartered Accountants (CICA) Section 3861, Financial Instruments – Disclosure and Presentation in place of Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation.

(d) Future change in accounting policies

The Accounting Standards Board (AcSB) has approved new accounting recommendations which have not yet come into effect. The following is a summary of the new recommendations:

Capital Disclosures

The AcSB have issued Section 1535 with an effective date for periods commencing on or after August 1, 2008. This standard will require the Federation to make disclosures regarding:

- The Federation's objectives, policies and processes for managing capital;*
- Quantitative data about what the Federation regards as capital;*
- Whether the Federation has complied with any capital requirements; and*
- if it has not complied, the consequences of such non-compliance.*

This new requirement is for disclosure only and will not impact the financial results of the Federation."

(sections quoted above are from the MacKay LLP Auditors' Report to the Members of Canadian Federation of Earth Sciences / Federation Canadienne des Sciences de la Terre dated September 25, 2009).

**CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)**

2. Investments

For the years ended March 31,	2010	2009
	FY2009	FY2008
Industrial Alliance Pacific (IAP)		
Guaranteed Investment Certificate, 3.55%, maturing August 31, 2010	- (E)	4,405
Guaranteed Investment Certificate, 3.05%, maturing August 31, 2011	40,711 (E)	54,816
	40,711	59,221

"The carrying amount of GIC's includes principal and accrued interest."

(section quoted above is from the MacKay LLP Auditors Report to the Members of Canadian Federation of Earth Sciences / Federation Canadienne des Sciences de la Terre dated September 25, 2009).

See accompanying 2010 Audit Committee Note (E)

3. Related party transactions

For the years ended March 31,	2010	2009
	FY2009	FY2008

Consulting fees paid to members	\$ 38,560	48,249
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"These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount of consideration established and agreed to by the related parties."

(section quoted above is from the MacKay LLP Auditors' Report to the Members of Canadian Federation of Earth Sciences / Federation Canadienne des Sciences de la Terre dated September 25, 2009).

**CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
FEDERATION CANADIENNE DES SCIENCES DE LA TERRE (FCST)**

2010 Audit Committee Notes

The following notes are provided to provide clarity to certain entries for comparison to prior auditors' reports and in the preparation of future audit reports.

Note (A): Society Dues Income

A total of \$14,268 were received in Fiscal 2009 (ending March 31, 2010) for Fiscal 2008 Society dues (ending March 31, 2009). This amount exceeds the total (\$13,768) reported as accounts receivable in the Fiscal 2008 auditors' report by MacKay LLP. These funds were not included in Fiscal 2009 Society dues (per Financial Statements Note 2a above) nor were the previously reported Fiscal 2008 statements restated.

Note (B): Interest Income

Interest income for calendar year 2009 on the IAP GIC investments was reported on the T5 slip as \$1913.92. For the purposes of this report, interest on the IAP GIC investments was calculated to be \$1490 for the fiscal year ended March 31, 2010 (Schedule 5).

Note (C): GST Recoverable

Accrued cumulative recoverable Goods and Services Tax (GST) have been shown in this and prior Federation financial statements however to March 31, 2010 there had been no actual recovery of any GST. In late August 2010 a payment of \$7512 was received for the cumulative recoverable GST for fiscal 2009 and all prior years. The fiscal 2008 auditors' report indicated \$3514 in GST was recoverable so the fiscal 2009 recoverable GST is \$3998.

Note (D): Cash

The March 31, 2009 closing cash balance in the Federations bank account was \$34,808.66 (\$34809). MacKay LLP reported the 2009 fiscal yearend cash as \$34,372 which would have included an accrued \$450 cheque issued in fiscal 2009 and cashed in fiscal 2010. There is a \$13 difference in the 2009 yearend cash that is not attributable by the 2010 Audit Committee. The March 31, 2010 closing balance in the Federations bank account was \$82,715.93 (\$82,716). The Audit Committee reconciled the starting and closing 2010 fiscal year bank balances to all revenue and expenditures which indicates the unattributed \$13 difference in the in 2009 yearend cash arises from prior to fiscal year 2010. This minor amount may be due to how bank service charges were handled in prior years. At present, bank Statements are to the sixth of the month and bank charges are levied on the first of the month.

Note (E): Investment Divestments In 2010

On September 21, 2009 there was a \$20,000 transfer from Industrial Alliance Pacific to the Federation arising from the maturing of one GIC and partial divestment of another GIC.

Note (F): Fiscal 2008 Revenue, Expenditure Carryover, Surplus Calculations

On the Statement of Financial Position for Fiscal 2008 (FY2008), there are Accounts Receivable of \$17,353 and Accounts Payable of \$18,092. The component amounts for these line items were not reviewed by the 2010 Audit Committee. The 2010 Audit Committee did verify that there were certain revenue and expenditures in Fiscal 2009 (FY2009) as outlined below arising from business from prior years.

As stated above in Note (A), \$14,268 in Fiscal 2008 Society dues were received in Fiscal 2009 and these were the only revenues received in Fiscal 2009 attributable to previous years. There is a difference of \$3,085 to the Accounts Receivable (\$17,353) on the Fiscal 2008 Statement of Financial Position.

A \$450 cheque (#5) for Fiscal 2008 meeting expenses cashed in Fiscal 2009 is included in the Fiscal 2009 Operating Expenses. This amount was probably accrued in the Fiscal 2008 yearend cash in the Fiscal 2008 Auditors' Report by MacKay LLP. A complementary \$13 credit accrual from undetermined origin would reconcile the actual Fiscal 2008 yearend cash to the reported amount by MacKay LLP.

In the first week of April 2009, there were four cheques written (total =\$8103.17) that are directly attributable to Fiscal 2008 business. There is a difference of \$9,989 to the Accounts Payable (\$18,092) on the Fiscal 2008 Statement of Financial Position.

The combination of the unrealized \$3,085 in FY2008 Receivables and the unrealized \$9,989 in FY2008 Payables would result in an additional \$6904 being attributable to the FY2008 surplus. The above example illustrates how accruals, estimates and actuals used from year to year can affect the determination and reporting of yearend surplus.

For Fiscal 2009 yearend there are no estimations, accrued expenditures or receivables other than the \$7,512 received in August 2010 for recoverable cumulative GST for Fiscal 2009 and previous years. The \$130,939 stated as FY2009 surplus on the Statement of Financial Position is the sum of amounts reconciled by the 2010 Audit Committee. The \$15,129 stated as Surplus of Revenues over Expenditures has also been reconciled by the 2010 Audit Committee. This means the starting Surplus plus Accounts Payable for FY2009 was actually \$115,810 rather than the \$114,460 for Surplus plus Accounts Payable based on actuals, accruals and estimates reported for FY2008 yearend. This \$1350 difference is attributed to a combination of reporting the FY2008 \$450 expenses cheque referred to above as a FY2008 accrued expense and as an accrued account payable last year and also including it as an expense in FY2009.

CANADIAN FEDERATION OF EARTH SCIENCES (CFES)
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Schedules to the Financial Statements
March 31, 2010 and 2009

For the years ended March 31, **2010** **2009**

Schedule 1: Operating Expenses

Business Manager's Office	40,145	59,005
Executive travel, meeting expenses	13,315 (F)	15,026
Financial Director's Office	11,953	14,545
Other office expenses (2010 medal)	598	-
Website	4,238	-
Memberships (PAGSE)	1,000	1,000
Total Operating Expenses	71,249	89,576

Schedule 2: Natural Resources Canada Funded Prior Projects

International Geological Correlation Project	2,200	4,400
Total Natural Resources Canada funded projects	2,200	4,400

Schedule 3: Committees / Studies / Projects Expenses

CanGeoRef	2,029	-
Four Billion Years Project	4,415	-
Total Operating Expenses	6,444	-

Schedule 4: Accrued Expenses and Receivables

Expense Cheque (#5) Accrued in Fiscal 2008 yearend cash	-	(450)
Undetermined \$13 credit accrued in Fiscal 2008 yearend cash	-	13
Difference between reported Fiscal 2008 yearend cash (\$34,372) and actual fiscal 2009 starting cash (\$34,808.66).		(437)

Schedule 5: Fiscal 2009 GIC Interest Calculation

GIC Deemed Value at March 31,2010	=	\$ 40,711
Plus 2009-Sept-21 \$20,000 GIC withdrawl	=	\$ 60,711
Less GICs Deemed Value at March 31, 2009	=	\$ 59,221
Accumulated Interest In Fiscal 2009	=	\$ 1,490