

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale):

Report on the Financial Statements

We have audited the accompanying financial statements of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale), which comprise the balance sheet as at December 31, 2014, and the statement of revenues and expenditures, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) derives part of its revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the accounts of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) and we were not able to determine whether, as at or for the years ended December 31, 2014 and December 31, 2013, any adjustments might be necessary to donations, excess of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

"Wolrige Mahon LLP"

CHARTERED ACCOUNTANTS

May 15, 2015
Vancouver, B.C.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

STATEMENT OF REVENUES AND EXPENDITURES

For the year ended December 31, 2014

	2014 \$	2013 \$
Revenues		
Fundraising		
Corporate and other	558,700	635,444
Individuals	30,780	37,208
Events and projects	181,555	221,253
	<u>771,035</u>	<u>893,905</u>
Newsletter subscriptions	14,990	22,330
Other	3,540	1,639
	<u>789,565</u>	<u>917,874</u>
Expenditures - Education and Fundraising		
Education, Schedule 1	549,240	533,406
Fundraising	162,338	151,579
	<u>711,578</u>	<u>684,985</u>
Expenditures - Other		
Governance and administration	128,128	96,421
Premises rental	31,745	-
Recovery of premises rental (Note 5)	(3,175)	-
	<u>156,698</u>	<u>96,421</u>
Expenditures - Total	868,276	781,406
Excess (deficiency) of revenues over expenditures	(78,711)	136,468

The accompanying notes are an integral part of these financial statements.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended December 31, 2014

	2014	2013
	\$	\$
Fund balances, beginning	181,957	45,489
Excess (deficiency) of revenues over expenditures	(78,711)	136,468
Fund balances, ending	103,246	181,957

The accompanying notes are an integral part of these financial statements.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

BALANCE SHEET

December 31, 2014

	2014 \$	2013 \$
Assets		
Current		
Cash and cash equivalents	65,132	181,454
Receivables	106,077	57,712
Prepaid expenses	15,304	5,084
	<u>186,513</u>	<u>244,250</u>
Property and equipment, Schedule 2	16,251	10,696
	<u>202,764</u>	<u>254,946</u>
Liabilities		
Current		
Payables and accruals	34,964	46,163
Deferred contributions (Note 2)	62,580	21,000
Current portion of capital lease obligation (Note 3)	1,974	3,544
	<u>99,518</u>	<u>70,707</u>
Capital lease obligation (Note 3)	-	2,282
	<u>99,518</u>	<u>72,989</u>
Fund Balances		
Unrestricted funds	103,246	181,957
	<u>202,764</u>	<u>254,946</u>

Approved by Directors:





The accompanying notes are an integral part of these financial statements.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	2014 \$	2013 \$
Cash flows related to operating activities		
Excess (deficiency) of revenues over expenditures	(78,711)	136,468
Adjustment for item not affecting cash:		
Amortization	5,558	4,565
Loss on disposal of property and equipment	655	-
	<u>(72,498)</u>	<u>141,033</u>
Changes in non-cash working capital:		
Receivables	(48,365)	(17,029)
Prepaid expenses	(10,220)	3,912
Payables and accruals	(11,199)	180
Deferred contributions	41,580	(33,600)
	<u>(100,702)</u>	<u>94,496</u>
Cash flows related to investing activities		
Purchases of property and equipment	(11,768)	(2,764)
Cash flows related to financing activities		
Payments of capital lease obligation	(3,852)	(3,852)
Net increase (decrease) in cash	(116,322)	87,880
Cash and cash equivalents, beginning	181,454	93,574
Cash and cash equivalents, ending	65,132	181,454
Cash and cash equivalents represented by:		
Funds on deposit	65,132	81,065
Cashable guaranteed investment certificate	-	100,389
	<u>65,132</u>	<u>181,454</u>

The accompanying notes are an integral part of these financial statements.

GI (GASTROINTESTINAL) SOCIETY / SOCIÉTÉ GI (GASTRO-INTESTINALE)

NOTES

For the year ended December 31, 2014

The GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) (the "Society") is a not-for-profit organization without share capital incorporated under the laws of Canada. The Society was previously incorporated under the *Canada Corporations Act, Part II* and was continued under the *Canada Not-for-profit Corporations Act* in August 2014. The society is a registered charity under the *Income Tax Act (Canada)* and is, therefore, exempt from income taxes.

The Society provides information to patients, the public and medical professionals on gastrointestinal ("GI") diseases and disorders. The Society raises funds to support ongoing research in the GI field and issues grants to researchers in Canada, when funding permits.

Note 1 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and short-term, highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value.

Property and Equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated annually as follows:

Office equipment under capital lease	- straight-line over the term of the lease
Computer equipment	- 30% declining balance
Leasehold improvements	- straight-line over the term of the lease plus one renewal term
Office furniture	- 20% declining balance
Computer software	- 100% declining balance

except in the year of acquisition, at which time amortization is provided for at one-half the annual rate.

Revenue Recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recorded as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Expense recoveries are recorded in the year in which the related expenditures are incurred.

GI (GASTROINTESTINAL) SOCIETY / SOCIÉTÉ GI (GASTRO-INTESTINALE)

NOTES

For the year ended December 31, 2014

Note 1 Significant Accounting Policies (continued)

Contributed Materials and Services

Contributed materials are recorded as revenue at their fair value at the time the materials are donated if their fair value can be reasonably estimated, and the materials are used in the normal course of the operations and would otherwise have been purchased by the Society. During the year, the Society did not record any contributed materials.

Contributed services from the efforts of volunteer workers are not recorded in the financial statements as no objective basis is available to measure the estimated fair value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Society.

Financial Instruments

Measurement of financial instruments

The Society measures its financial assets and financial liabilities at fair value at the acquisition date. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized in net earnings when incurred. The carrying amounts of financial instruments not subsequently measured at fair value are adjusted by the amount of transaction costs directly attributable to the acquisition of the instrument.

The Society subsequently measures all of its financial assets and financial liabilities at amortized cost.

Impairment

Financial assets measured at amortized cost are assessed for indications of impairment at the end of each reporting period. When impairment is identified, the amount of the write-down is recognized as an impairment loss in excess of revenues over expenditures. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenditures.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

NOTES

For the year ended December 31, 2014

Note 2 Deferred Contributions

Deferred contributions are comprised of corporate and other donations from fundraising which remain unspent as follows:

	2014	2013
	\$	\$
Balance, beginning	21,000	54,600
Recognized as revenues	(21,000)	(54,600)
Received and deferred	62,580	21,000
	<hr/>	<hr/>
Balance, ending	62,580	21,000
	<hr/>	<hr/>

Deferred contributions consist of \$47,000 for community outreach expenditures, \$15,500 for education expenditures and \$80 for governance and administration expenditures.

Note 3 Capital Lease Obligation

The Society has a capital lease for office equipment which bears interest at 7.66% per annum and expires November, 2015. During the year, the Society recorded interest expense, included in governance and administration expenditures, of \$520 (2013: \$878) related to this lease.

	\$
Total minimum lease payments	2,125
Less: Amount representing interest	151
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Balance of obligation	1,974
Less: Current portion	1,974
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Subsequent to year end, the Society entered into a new capital lease arrangement that will require quarterly payments of \$855 for the next five years.

GI (GASTROINTESTINAL) SOCIETY / SOCIÉTÉ GI (GASTRO-INTESTINALE)

NOTES

For the year ended December 31, 2014

Note 4 Financial Instruments

Items that meet the definition of a financial instrument include cash and cash equivalents, receivables, payables and accruals, and capital lease obligation. It is management's opinion that the society is not exposed to significant market risk (including currency risk, interest rate risk and other price risk) arising from its financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to liquidity risk in respect of its payables and accruals.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk in respect of its receivables.

Note 5 Entity Subject to Significant Influence

The Society has the ability to exercise significant influence over Canadian Society of Intestinal Research ("CSIR") as a result of having certain management and directors in common. CSIR provides information to patients, the public and medical professionals on gastrointestinal diseases and disorders. CSIR raises funds to support ongoing research in the gastrointestinal field and issues grants to researchers at the University of British Columbia and its teaching hospitals, when funding permits. The purposes of the Society and CSIR are generally the same except that CSIR has a narrower, British Columbia focused scope for research granting. CSIR was incorporated under the laws of British Columbia in 1976 and is a registered charity under the Income Tax Act.

During the year, the Society recorded recoveries of premises rental and personnel expenditures from CSIR of \$3,175 (2013: \$Nil) and \$53,000 (2013: \$19,720), respectively.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

NOTES

For the year ended December 31, 2014

Note 6 Commitments

During the year, the Society and CSIR jointly entered into an agreement to lease space for their shared premises, expiring March, 2019. The annual base rent, exclusive of operating costs, is as follows:

	\$
2015	19,019
2016	20,216
2017	20,482
2018	20,482
2019	5,586
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	85,785
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The Society and CSIR have agreed that CSIR will be responsible for 10% of the above annual base rent payments.

Note 7 Comparative Figures

Certain 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2014.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

Schedule 1

EDUCATION EXPENDITURES

For the year ended December 31, 2014

	2014	2013
	\$	\$
BadGut® Lectures	165,851	74,536
Inside Tract® Newsletter	113,490	125,963
Patient information pamphlets	84,837	78,997
badgut.org mauxdeventre.org websites	74,957	54,044
Community outreach	175,905	238,489
General education	10,745	3,798
	625,785	575,827
Recoveries of expenditures - personnel (Note 5)	(53,000)	(19,720)
- travel and other	(23,545)	(22,701)
	549,240	533,406

The accompanying notes are an integral part of these financial statements.

**GI (GASTROINTESTINAL) SOCIETY /
SOCIÉTÉ GI (GASTRO-INTESTINALE)**

Schedule 2

PROPERTY AND EQUIPMENT

For the year ended December 31, 2014

	Cost \$	Accumulated Amortization \$	Net Carrying Value \$	Current Amortization \$
Office equipment under capital lease				
Balance, December 31, 2013	16,060	9,904	6,156	
Amortization		3,212	(3,212)	3,212
Balance, December 31, 2014	16,060	13,116	2,944	
Computer equipment				
Balance, December 31, 2013	8,678	4,138	4,540	
Additions	665		665	
Disposals	(1,101)	(446)	(655)	
Amortization	8,242	3,692	4,550	1,364
		1,364	(1,364)	
Balance, December 31, 2014	8,242	5,056	3,186	
Leasehold improvements				
Balance, December 31, 2013	-	-	-	
Additions	7,737		7,737	
Amortization		645	(645)	645
Balance, December 31, 2014	7,737	645	7,092	
Office Furniture				
Balance, December 31, 2013	-	-	-	
Additions	3,366		3,366	
Amortization		337	(337)	337
Balance, December 31, 2014	3,366	337	3,029	
Computer software				
Balance, December 31, 2013	2,173	2,173	-	
Disposals	(390)	(390)	-	
Balance, December 31, 2014	1,783	1,783	-	
Totals	37,188	20,937	16,251	5,558

The accompanying notes are an integral part of these financial statements.