

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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2015

INDEPENDENT AUDITORS' 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, 2015, and the statements of revenues and expenditures, changes in fund balance and 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 judgement, 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, 2015 and December 31, 2014, any adjustments might be necessary to donations, excess of revenues over expenditures, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) as at and for the year ended December 31, 2014 were audited by other auditors, who expressed a qualified opinion on those statements in their report dated May 15, 2015.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 28, 2016

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

Statement of Revenues and Expenditures

For the year ended December 31,	2015	2014
	\$	\$
Revenues		
Fundraising		
Corporate and other	593,086	558,700
Government grants	52,064	-
Individuals	35,072	30,780
Events and projects	124,126	181,555
	<u>804,348</u>	<u>771,035</u>
Newsletter subscriptions	14,437	14,990
Other	3,859	3,540
	<u>822,644</u>	<u>789,565</u>
Expenditures – Education and Fundraising		
Education, Schedule 1	528,049	549,240
Fundraising (Note 5)	153,334	162,338
	<u>681,383</u>	<u>711,578</u>
Expenditures - Other		
Governance and administration (Note 5)	104,400	128,128
Premises rental	38,250	31,745
Recovery of premises rental (Notes 5 and 6)	(1,094)	(3,175)
	<u>141,556</u>	<u>156,698</u>
Expenditures - Total	<u>822,939</u>	<u>868,276</u>
Deficiency of revenues over expenditures	<u>(295)</u>	<u>(78,711)</u>

The accompanying notes are an integral part of these financial statements

GI (GASTROINTESTINAL) SOCIETY / SOCIÉTÉ GI (GASTRO-INTESTINALE)
Statement of Changes in Fund Balance

For the year ended December 31,	2015	2014
	\$	\$
Fund balance, beginning	103,246	181,957
Deficiency of revenues over expenditures	(295)	(78,711)
Fund balance, ending	102,951	103,246

The accompanying notes are an integral part of these financial statements

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

Balance Sheet

December 31,	2015	2014
	\$	\$
Assets		
Current		
Cash and cash equivalents	357,074	65,132
Receivables	90,429	106,077
Prepaid expenses	8,996	15,304
	<u>456,499</u>	<u>186,513</u>
Property and equipment, Schedule 2	28,106	16,251
	<u>484,605</u>	<u>202,764</u>
Liabilities, Deferred Contributions and Fund Balance		
Current		
Payables and accruals	31,570	34,964
Current portion of capital lease obligation (Note 2)	3,349	1,974
	<u>34,919</u>	<u>36,938</u>
Capital lease obligation (Note 2)	10,759	-
Deferred revenue contributions (Note 3)	335,976	62,580
	<u>381,654</u>	<u>99,518</u>
Fund Balance		
Unrestricted funds	102,951	103,246
	<u>484,605</u>	<u>202,764</u>

Approved by Directors:


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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,	2015	2014
	\$	\$
Cash flows related to operating activities		
Deficiency of revenues over expenditures	(295)	(78,711)
Adjustment for items not affecting cash:		
Amortization	4,185	5,558
Loss on disposal of property and equipment	2,944	655
	<u>6,834</u>	<u>(72,498)</u>
Net change in deferred revenue contributions	273,396	41,580
Changes in non-cash working capital:		
Receivables	15,648	(48,365)
Prepaid expenses	6,308	(10,220)
Payables and accruals	(3,394)	(11,199)
	<u>298,792</u>	<u>(100,702)</u>
Cash flows related to investing activity		
Purchases of property and equipment	<u>(1,638)</u>	<u>(11,768)</u>
Cash flows related to financing activity		
Payment of capital lease obligation	<u>(5,212)</u>	<u>(3,852)</u>
Net increase (decrease) in cash and cash equivalents	291,942	(116,322)
Cash and cash equivalents, beginning	<u>65,132</u>	<u>181,454</u>
Cash and cash equivalents, ending	357,074	65,132
Cash and cash equivalents represented by:		
Funds on deposit	180,074	65,132
Cheques received and not deposited	77,000	-
Cashable guaranteed investment certificate	100,000	-
	<u>357,074</u>	<u>65,132</u>
Supplementary Information:		
Acquisition of equipment under finance lease	17,346	-
Lease obligation resulting from finance lease	17,346	-

The accompanying notes are an integral part of these financial statements

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

Notes to Financial Statements

For the year ended December 31, 2015

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.

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 includes cash on deposit, cheques received and not deposited 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, which includes donations and government grants. 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. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Donation pledges are not recorded since they are not legally enforceable claims. Event fees are recognized as revenue when the event is held. Ticket and raffle sales revenue is recognized at the point of sale. Member fees and newsletter subscriptions are recognized as revenue in the year that the fees or subscriptions relate to. Expense recoveries are recorded in the year in which the related expenditures are incurred.

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

Notes to Financial Statements

For the year ended December 31, 2015

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. During the year, the Society obtained advertising for a sponsorship campaign valued at \$100,000 for no cost. The Society would not have otherwise purchased this advertising.

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 excess or deficiency of revenues over expenditures 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 or deficiency 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 or deficiency 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 to Financial Statements

For the year ended December 31, 2015

2. CAPITAL LEASE OBLIGATION

The Society has a capital lease for office equipment which bears interest at 3.41% per annum and expires in December 2019. During the year, the Society recorded interest expense, included in governance and administration expenditures, of \$550 (2014 - \$520) related to this lease.

	December 31, 2015 \$	December 31, 2014 \$
Total minimum lease payments	15,152	2,125
Less: Amount representing interest	(1,044)	(151)
Balance of obligation	14,108	1,974
Less: Current portion	(3,349)	(1,974)
	<u>10,759</u>	<u>-</u>

3. DEFERRED REVENUE CONTRIBUTIONS

Deferred revenue contributions represent unspent externally restricted grants and donations. The change in the deferred revenue contributions balance was as follows:

	December 31, 2014 \$	Grants received during the year \$	Recognized as revenue \$	December 31, 2015 \$
Corporate	62,080	283,040	62,080	283,040
Government	-	100,000	52,064	47,936
Foundation/ Service Club	500	5,000	500	5,000
	<u>62,580</u>	<u>388,040</u>	<u>114,644</u>	<u>335,976</u>

Deferred revenue contributions consist of \$335,976 (2014 - \$62,500) for education expenditures and \$nil (2014 - \$80) for governance and administration expenditures.

4. FINANCIAL INSTRUMENTS

Items that meet the definition of a financial instrument include cash and cash equivalents, receivables (excluding GST), 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.

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

Notes to Financial Statements

For the year ended December 31, 2015

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 and capital lease obligation.

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 cash and cash equivalents and receivables (excluding GST).

5. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Canadian Society of Intestinal Research

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 expenditures from CSIR as follows: \$24,481 (2014 - \$53,000) for education, \$6,225 (2014 - \$nil) for fundraising, \$7,760 (2014 - \$7,400) for governance and administration and \$1,094 (2014 - \$3,175) for premises rental.

Advocacy Boot Camp Inc.

The Society’s CEO is a 50% shareholder in Advocacy Boot Camp Inc. (“ABC”). ABC provides a four-day patient training and education program, from time-to-time, among other things. This program is beneficial, and in some instances essential, for certain Society employees and/or volunteers to attend. On one occasion, the Society requested financial support from a donor to cover the cost of an employee and a volunteer to attend an ABC program. Donor representatives and the Society Board were aware of the CEO’s ownership interest in ABC at the time of the funding request.

During the year, the Society paid \$10,000 plus HST (2014 - \$nil) to ABC for an employee and a volunteer to attend a four-day program. During the year, the Society received \$14,400 (2014 - \$nil) from a donor to cover the cost of the two individuals to attend the program, plus expenses, and to cover off the employee’s salary while attending the program.

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

Notes to Financial Statements

For the year ended December 31, 2015

6. COMMITMENTS

During 2014, the Society and CSIR jointly entered into an agreement to lease space for their shared premises, expiring in March 2019. The annual base rent, exclusive of operating costs, is as follows:

	\$
2016	20,216
2017	20,482
2018	20,482
2019	<u>5,586</u>
	<u>66,766</u>

The Society and CSIR had agreed that CSIR will be responsible for 10% of the total occupancy costs. On April 1, 2015, it was agreed that CSIR would pay its share of the occupancy costs directly.

7. COMPARATIVE FIGURES

In prior years, 'Deferred revenue contributions' was presented under 'Current liabilities' on the Balance Sheet and under 'Changes in non-cash working capital' on the Statement of Cash Flows. In 2015, 'Deferred revenue contributions' has been presented between 'Liabilities' and 'Fund Balance' on the Balance Sheet and before 'Changes in non-cash working capital' on the Statement of Cash Flows. The comparative amounts have been revised to conform with the current year's presentation.

At December 31, 2014, 'community outreach' (\$47,000) and 'education expenditures' (\$15,500) were disclosed separately in Note 3. These amounts have been combined and disclosed as 'education expenditures' to conform with the current year's presentation.

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

Education Expenditures

For the year ended December 31, 2015

	SCHEDULE 1	
	2015	2014
	\$	\$
BadGut® Lectures	86,729	165,851
Inside Tract® Newsletter	98,093	113,490
Patient information pamphlets	104,903	84,837
badgut.org mauxdeventre.org websites	66,977	74,957
Community outreach	130,533	175,905
General education	80,982	10,745
	568,217	625,785
Recoveries of expenditures		
- personnel (Note 5)	(24,481)	(53,000)
- travel and other	(15,687)	(23,545)
	528,049	549,240

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

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

Property and Equipment

For the year ended December 31, 2015

	SCHEDULE 2			
	Cost	Accumulated	Net Carrying	Current
	\$	Amortization	Value	Amortization
	\$	\$	\$	\$
Office equipment under capital lease				
Balance, December 31, 2014	16,060	13,116	2,944	
Additions	17,346	-	17,346	
Disposals	(16,060)	(13,116)	(2,944)	
Amortization	-	1,735	(1,735)	1,735
Balance, December 31, 2015	<u>17,346</u>	<u>1,735</u>	<u>15,611</u>	
Computer equipment				
Balance, December 31, 2014	8,242	5,056	3,186	
Additions	1,638	-	1,638	
Amortization	-	1,201	(1,201)	1,201
Balance, December 31, 2015	<u>9,880</u>	<u>6,257</u>	<u>3,623</u>	
Leasehold improvements				
Balance, December 31, 2014	7,737	645	7,092	
Amortization	-	644	(644)	644
Balance, December 31, 2015	<u>7,737</u>	<u>1,289</u>	<u>6,448</u>	
Office furniture				
Balance, December 31, 2014	3,366	337	3,029	
Amortization	-	605	(605)	605
Balance, December 31, 2015	<u>3,366</u>	<u>942</u>	<u>2,424</u>	
Computer software				
Balance, December 31, 2014 and 2015	<u>1,783</u>	<u>1,783</u>	<u>-</u>	<u>-</u>
Totals	<u>40,112</u>	<u>12,006</u>	<u>28,106</u>	<u>4,185</u>

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