

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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2016

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 sheets as at December 31, 2016 and December 31, 2015, and the statements of revenues and expenditures, changes in fund balance and cash flows for the years 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, 2016 and December 31, 2015, any adjustments might be necessary to donations, excess (deficiency) 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada


May 4, 2017

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

Statements of Revenues and Expenditures

For the years ended December 31,	2016	2015
	\$	\$
Revenues		
Fundraising		
Corporate and other	702,454	593,086
Government grants	127,936	52,064
Individuals	30,806	35,072
Events and projects	16,856	124,126
	<u>878,052</u>	<u>804,348</u>
Newsletter subscriptions	22,646	14,437
Other	2,720	3,859
	<u>903,418</u>	<u>822,644</u>
Expenditures – Education and Fundraising		
Education, Schedule 1	591,647	528,049
Fundraising (Note 5)	112,754	153,334
	<u>704,401</u>	<u>681,383</u>
Expenditures - Other		
Governance and administration (Note 5)	132,379	104,400
Premises rental	38,147	38,250
Recovery of premises rental (Notes 5 and 6)	-	(1,094)
	<u>170,526</u>	<u>141,556</u>
Expenditures - Total	<u>874,927</u>	<u>822,939</u>
Excess (Deficiency) of revenues over expenditures	<u>28,491</u>	<u>(295)</u>

Approved by Directors:


Gail Attara, President
Martin Auyeung, Director*The accompanying notes are an integral part of these financial statements*

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

Statements of Changes in Fund Balance

<u>For the years ended December 31,</u>	<u>2016</u>	<u>2015</u>
	\$	\$
Fund balance, beginning	102,951	103,246
Excess (Deficiency) of revenues over expenditures	28,491	(295)
Fund balance, ending	131,442	102,951

The accompanying notes are an integral part of these financial statements

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

Balance Sheets

December 31,	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	343,236	357,074
Receivables	69,260	90,429
Prepaid expenses	14,997	8,996
	<u>427,493</u>	<u>456,499</u>
Property and equipment, Schedule 2	25,769	28,106
	<u>453,262</u>	<u>484,605</u>
Liabilities, Deferred Contributions and Fund Balance		
Current		
Payables and accruals	25,561	31,570
Current portion of capital lease obligation (Note 2)	3,465	3,349
	<u>29,026</u>	<u>34,919</u>
Capital lease obligation (Note 2)	7,294	10,759
Deferred revenue contributions (Note 3)	285,500	335,976
	<u>321,820</u>	<u>381,654</u>
Fund Balance		
Unrestricted funds	131,442	102,951
	<u>453,262</u>	<u>484,605</u>

The accompanying notes are an integral part of these financial statements

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

Statements of Cash Flows

For the years ended December 31,	2016	2015
	\$	\$
Cash flows related to operating activities		
Excess (Deficiency) of revenues over expenditures	28,491	(295)
Adjustment for items not affecting cash:		
Amortization	4,190	4,185
Loss on disposal of property and equipment	-	2,944
	<u>32,681</u>	<u>6,834</u>
Net change in deferred revenue contributions	(50,476)	273,396
Changes in non-cash working capital:		
Receivables	21,169	15,648
Prepaid expenses	(6,001)	6,308
Payables and accruals	(6,009)	(3,394)
	<u>(8,636)</u>	<u>298,792</u>
Cash flows related to investing activity		
Purchases of property and equipment	<u>(1,853)</u>	<u>(1,638)</u>
Cash flows related to financing activity		
Payment of capital lease obligation	<u>(3,349)</u>	<u>(5,212)</u>
Net increase (decrease) in cash and cash equivalents	(13,838)	291,942
Cash and cash equivalents, beginning	357,074	65,132
Cash and cash equivalents, ending	343,236	357,074
Cash and cash equivalents represented by:		
Funds on deposit	243,236	180,074
Cheques received and not deposited	-	77,000
Cashable guaranteed investment certificate	100,000	100,000
	<u>343,236</u>	<u>357,074</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, 2016

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, 2016

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 2016, the Society obtained advertising for a sponsorship campaign valued at \$100,000 for no cost (2015: \$100,000). 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, 2016

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 \$438 (2015: \$550) related to this lease.

	December 31, 2016 \$	December 31, 2015 \$
Total minimum lease payments	11,365	15,152
Less: Amount representing interest	(606)	(1,044)
Balance of obligation	10,759	14,108
Less: Current portion	(3,465)	(3,349)
	<u>7,294</u>	<u>10,759</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, 2015 \$	Grants received during the year \$	Recognized as revenue \$	December 31, 2016 \$
Corporate	283,040	181,460	204,000	260,500
Government	47,936	100,000	127,936	20,000
Foundation/ Service Club	5,000	5,000	5,000	5,000
	<u>335,976</u>	<u>286,460</u>	<u>336,936</u>	<u>285,500</u>

Deferred revenue contributions consist of \$285,500 (2015: \$335,976) for education expenditures.

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

Notes to Financial Statements

For the year ended December 31, 2016

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.

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: \$28,217 (2015: \$24,481) for education, \$1,225 (2015: \$6,225) for fundraising, \$6,366 (2015: \$7,760) for governance and administration and \$nil (2015: \$1,094) 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 advocacy 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. In 2016, ABC provided two scholarships (total value \$10,000 plus HST) for two Society employees to attend the four-day workshop. On one occasion in 2015, 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.

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

Notes to Financial Statements

For the year ended December 31, 2016

5. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

During the year, the Society paid \$nil (2015: \$10,000 plus HST) to ABC and received \$nil (2015: \$14,400) from a donor. During the year, ABC provided this service at no cost to the Society. In 2015, a donor covered the cost and related expenses for two individuals to attend the program.

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:

	\$
2017	20,482
2018	20,482
2019	<u>5,586</u>
	<u>46,550</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 to the Landlord.

The Society and CSIR are looking into increasing the office space into the adjacent office.

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

Education Expenditures

For the year ended December 31, 2016

	SCHEDULE 1	
	2016	2015
	\$	\$
BadGut® Lectures	87,855	86,729
<i>Inside Tract</i> ® Newsletter	134,743	98,093
Patient information pamphlets	94,885	104,903
badgut.org mauxdeventre.org websites	72,161	66,977
Community outreach	146,637	130,533
General education	90,640	80,982
	626,921	568,217
Recoveries of expenditures		
- personnel (Note 5)	(28,217)	(24,481)
- travel and other	(7,057)	(15,687)
	591,647	528,049

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, 2016

	SCHEDULE 2			
	Cost	Accumulated	Net Carrying	Current
	\$	Amortization	Value	Amortization
	\$	\$	\$	\$
Office equipment under capital lease				
Balance, December 31, 2015	17,346	1,735	15,611	
Amortization		1,735	(1,735)	1,735
Balance, December 31, 2016	<u>17,346</u>	<u>3,470</u>	<u>13,876</u>	
Computer equipment				
Balance, December 31, 2015	9,880	6,257	3,623	
Additions	1,080	-	1,080	
Amortization	-	1,249	(1,249)	1,249
Balance, December 31, 2016	<u>10,960</u>	<u>7,506</u>	<u>3,454</u>	
Leasehold improvements				
Balance, December 31, 2015	7,737	1,289	6,448	
Amortization	-	645	(645)	645
Balance, December 31, 2016	<u>7,737</u>	<u>1,934</u>	<u>5,803</u>	
Office furniture				
Balance, December 31, 2015	3,366	942	2,424	
Additions	774		774	
Amortization	-	561	(561)	561
Balance, December 31, 2016	<u>4,140</u>	<u>1,503</u>	<u>2,637</u>	
Computer software				
Balance, December 31, 2015 and 2016	<u>1,783</u>	<u>1,783</u>	<u>-</u>	-
Totals	41,966	16,196	25,770	4,190

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