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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2017

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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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 sheets as at December 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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, 2017 and 2016, 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
April 25, 2018

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

Statements of Revenues and Expenditures

For the years ended December 31,	**2017**	2016
	$	$
Revenues		
Fundraising		
Corporate and other (Note 5)	**583,562**	702,454
Government grants	**155,000**	127,936
Individuals	**27,880**	30,806
Events and projects	**134,138**	16,856
	900,580	878,052
Newsletter subscriptions	**13,426**	22,646
Other	**10,616**	2,720
	924,622	903,418
Expenditures – Education and Fundraising		
Education, Schedule 1	**606,954**	591,647
Fundraising (Note 5)	**57,343**	112,754
	664,297	704,401
Expenditures - Other		
Governance and administration (Note 5)	**196,110**	132,379
Premises rental	**38,986**	38,147
	235,096	170,526
Expenditures - Total	**899,393**	874,927
Excess of revenues over expenditures	**25,229**	28,491

Approved by Directors:

/s/ Ron Goetz
Ron Goetz, President

/s/ Martin Auyeung
Martin Auyeung, Treasurer

The accompanying notes are an integral part of these financial statements

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

Statements of Changes in Fund Balance

For the years ended December 31,	**2017**	2016
	$	$
Fund balance, beginning	**131,442**	102,951
Excess of revenues over expenditures	**25,229**	28,491
Fund balance, ending	**156,671**	131,442

The accompanying notes are an integral part of these financial statements

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

Balance Sheets

December 31,	**2017**	2016
	$	$
Assets		
Current		
Cash and cash equivalents	**191,190**	343,236
Receivables	**222,150**	69,260
Prepaid expenses	**2,859**	14,997
	416,199	427,493
Property and equipment, Schedule 2	**22,760**	25,769
	438,959	453,262
Liabilities, Deferred Contributions and Fund Balance		
Current		
Payables and accruals	**29,933**	25,561
Current portion of capital lease obligation (Note 2)	**3,585**	3,465
	33,518	29,026
Capital lease obligation (Note 2)	**3,710**	7,294
Deferred revenue contributions (Note 3)	**245,060**	285,500
	282,288	321,820
Fund Balance		
Unrestricted funds	**156,671**	131,442
	438,959	453,262

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,	**2017**	2016
	$	$
Cash flows related to operating activities		
Excess of revenues over expenditures	**25,229**	28,491
Adjustment for items not affecting cash:		
Amortization	**4,110**	4,190
	29,339	32,681
Net change in deferred revenue contributions	**(40,440)**	(50,476)
Changes in non-cash working capital:		
Receivables	**(152,890)**	21,169
Prepaid expenses	**12,137**	(6,001)
Payables and accruals	**4,372**	(6,009)
	(147,482)	(8,636)
Cash flows related to investing activity		
Purchases of property and equipment	**(1,100)**	(1,853)
Cash flows related to financing activity		
Payment of capital lease obligation	**(3,464)**	(3,349)
Net decrease in cash and cash equivalents	**(152,046)**	(13,838)
Cash and cash equivalents, beginning	**343,236**	357,074
Cash and cash equivalents, ending	**191,190**	343,236
Cash and cash equivalents represented by:		
Funds on deposit	**89,886**	243,236
Cashable guaranteed investment certificate	**101,304**	100,000
	191,190	343,236

The accompanying notes are an integral part of these financial statements

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 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.

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.

During the year, the Society received the British Columbia Association of Broadcasters (the "BCAB") Humanitarian Award. Pursuant to this award, the Society received a 42-week campaign of radio and television public service announcements to be aired from August to December 2017 and February to June 2018. Although the promotional value of this campaign is $1 million, the BCAB estimates the commercial value to be approximately $3,322,000 based on the minimum rate charged for such placements. During the year, the Society obtained a promotional campaign valued at approximately $1,661,000 and will receive the same promotional campaign value in 2018.

During 2016, 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $324 (2016: $438) related to this lease.

	December 31, 2017	December 31, 2016
	$	$
Total minimum lease payments	**7,577**	11,365
Less: Amount representing interest	**(282)**	(606)
Balance of obligation	**7,295**	10,759
Less: Current portion	**(3,585)**	(3,465)
	3,710	7,294

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, 2016	**Grants received during the year**	**Recognized as revenue**	**December 31, 2017**
	$	**$**	**$**	**$**
Corporate	260,500	230,060	260,500	230,060
Government	20,000	150,000	155,000	15,000
Foundation	5,000	-	5,000	-
	285,500	380,060	420,500	245,060

Deferred revenue contributions consist of $245,060 (2016: $285,500) for education 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.

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: $36,006 (2016: $28,217) for education, $nil (2016: $1,125) for fundraising and $16,452 (2016: $7,057) for governance and administration.

During the year, CSIR gifted $38,000 (2016: $36,000) toward a staff position to support the growth of the Society.

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 2017 and 2016, ABC provided two scholarships (total valued at $10,000 plus HST) for two Society employees to attend the four-day workshop.

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:

	$
2018	20,482
2019	5,586
	26,068

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 by moving across the hall.

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

Education Expenditures
For the year ended December 31, 2017

SCHEDULE 1

	2017	2016
	$	$
BadGut® Lectures	**127,335**	87,855
Inside Tract® Newsletter	**103,430**	134,743
Patient information pamphlets	**94,668**	94,885
badgut.org | mauxdeventre.org websites	**74,932**	72,161
Community outreach	**184,658**	146,637
General education	**74,389**	90,640
	659,412	626,921
Recoveries of expenditures		
- personnel (Note 5)	**(36,006)**	(28,217)
- travel and other	**(16,452)**	(7,057)
	606,954	591,647

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, 2017

SCHEDULE 2

	Cost $	Accumulated Amortization $	Net Carrying Value $	Current Amortization $
Office equipment under capital lease				
Balance, December 31, 2016	17,346	3,470	13,876	
Amortization	-	1,735	(1,735)	1,735
Balance, December 31, 2017	17,346	5,205	12,141	
Computer equipment				
Balance, December 31, 2016	10,960	7,506	3,454	
Additions	1,100	-	1,100	
Amortization	-	1,201	(1,201)	1,201
Balance, December 31, 2017	12,060	8,707	3,353	
Leasehold improvements				
Balance, December 31, 2016	7,737	1,934	5,803	
Amortization	-	645	(645)	645
Balance, December 31, 2017	7,737	2,579	5,158	
Office furniture				
Balance, December 31, 2016	4,140	1,503	2,637	
Amortization	-	529	(529)	529
Balance, December 31, 2017	4,140	2,032	2,108	
Computer software				
Balance, December 31, 2016 and 2017	1,783	1,783	-	-
Totals	**43,066**	**20,306**	**22,760**	**4,110**

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