

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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale), which comprise the balance sheets as at December 31, 2018 and December 31, 2017, 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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, 2018 and December 31, 2017, any adjustments might be necessary to donations, excess (deficiency) of revenues over expenditures, assets and fund balance. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of GI (Gastrointestinal) Society / Société GI (Gastro-intestinale) in accordance with the ethical requirements that are relevant to our report of the audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

The engagement partner on the audit resulting in this independent auditor's report is Keith Macdonald.



CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC, Canada
May 21, 2019

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

Statements of Revenues and Expenditures

For the years ended December 31,	2018	2017
	\$	\$
Revenues		
Fundraising		
Corporate and other (Notes 3 and 5)	860,940	583,562
Government grants (Note 3)	15,000	155,000
Individuals	21,639	27,880
Events and projects	5,275	134,138
	<u>902,854</u>	<u>900,580</u>
Newsletter subscriptions	13,796	13,426
Other	4,782	10,616
	<u>921,432</u>	<u>924,622</u>
Expenditures – Education and Fundraising		
Education, Schedule 1	680,407	606,954
Fundraising (Note 5)	15,456	57,343
	<u>695,863</u>	<u>664,297</u>
Expenditures - Other		
Governance and administration (Note 5)	201,137	196,110
Premises rental (Note 6)	42,199	38,986
	<u>243,336</u>	<u>235,096</u>
Expenditures - Total	<u>939,199</u>	<u>899,393</u>
Excess (deficiency) of revenues over expenditures	<u>(17,767)</u>	<u>25,229</u>

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,	2018	2017
	\$	\$
Fund balance, beginning	156,671	131,442
Excess (deficiency) of revenues over expenditures	(17,767)	25,229
Fund balance, ending	138,904	156,671

The accompanying notes are an integral part of these financial statements

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

Balance Sheets

December 31,	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	234,436	191,190
Receivables	92,894	222,150
Prepaid expenses	2,877	2,859
	<u>330,207</u>	<u>416,199</u>
Property and equipment, Schedule 2	33,398	22,760
	<u>363,605</u>	<u>438,959</u>
Liabilities, Deferred Contributions and Fund Balance		
Current		
Payables and accruals	20,435	29,933
Current portion of capital lease obligation (Note 2)	3,393	3,585
	<u>23,828</u>	<u>33,518</u>
Capital lease obligation (Note 2)	10,923	3,710
Deferred revenue contributions (Note 3)	189,950	245,060
	<u>224,701</u>	<u>282,288</u>
Fund Balance		
Unrestricted funds	138,904	156,671
	<u>363,605</u>	<u>438,959</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,	2018	2017
	\$	\$
Cash flows related to operating activities		
Excess (deficiency) of revenues over expenditures	(17,767)	25,229
Adjustment for items not affecting cash:		
Amortization	4,102	4,110
Loss on disposal of property and equipment	5,189	-
Loss on termination of finance lease obligation	4,846	-
	<u>(3,630)</u>	<u>29,339</u>
Net change in deferred revenue contributions	(55,110)	(40,440)
Changes in non-cash working capital:		
Receivables	129,256	(152,890)
Prepaid expenses	(18)	12,137
Payables and accruals	(9,498)	4,372
	<u>61,000</u>	<u>(147,482)</u>
Cash flows related to investing activity		
Purchases of property and equipment	<u>(14,478)</u>	<u>(1,100)</u>
Cash flows related to financing activity		
Payment of capital lease obligation	<u>(3,276)</u>	<u>(3,464)</u>
Net increase (decrease) in cash and cash equivalents	43,246	(152,046)
Cash and cash equivalents, beginning	<u>191,190</u>	<u>343,236</u>
Cash and cash equivalents, ending	234,436	191,190
Cash and cash equivalents represented by:		
Funds on deposit	234,436	89,886
Cashable guaranteed investment certificate	-	101,304
	<u>234,436</u>	<u>191,190</u>
Supplementary Information:		
Acquisition of equipment under finance lease	17,592	-
Lease obligation resulting from finance lease	17,592	-

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, 2018

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.

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

Notes to Financial Statements

For the year ended December 31, 2018

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, 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 2017, 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 estimated the commercial value to be approximately \$3,322,000 based on the minimum rate charged for such placements. During the current and prior years, the Society obtained a promotional campaign valued at approximately \$1,661,000. 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.

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

Notes to Financial Statements

For the year ended December 31, 2018

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

During the year, the Society terminated its previous capital lease and entered into a new capital lease for office equipment which bears interest at 3.52% per annum and expires in February 2023. In relation to these leases, the Society recorded interest expense, included in governance and administration expenditures, of \$576 (2017: \$nil) related to the new lease and \$nil (2017: \$324) related to the previous lease.

	December 31, 2018	December 31, 2017
	<u>\$</u>	<u>\$</u>
Total minimum lease payments	15,410	7,577
Less: Amount representing interest	(1,094)	(282)
Balance of obligation	14,316	7,295
Less: Current portion	(3,393)	(3,585)
	<u>10,923</u>	<u>3,710</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, 2017	Grants received during the year	Recognized as revenue	December 31, 2018
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Corporate	230,060	179,950	220,060	189,950
Government	15,000	-	15,000	-
	<u>245,060</u>	<u>179,950</u>	<u>235,060</u>	<u>189,950</u>

Deferred revenue contributions consist of \$189,950 (2017: \$245,060) for education expenditures.

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

Notes to Financial Statements

For the year ended December 31, 2018

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: \$33,304 (2017: \$36,006) for education and \$13,905 (2017: \$16,452) for governance and administration (Schedule 1).

During the year, CSIR gifted \$48,000 (2017: \$38,000) 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, ABC provided two scholarships (total valued at \$10,000 plus HST) for two Society employees to attend the four-day workshop. No employees attended in 2018.

The Society's CEO and her business partner decided to wind up ABC this year so there will be no further activity for this entity. ABC had its last session in June 2018 and the business was officially dissolved on January 4, 2019.

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

Notes to Financial Statements

For the year ended December 31, 2018

6. COMMITMENTS

On June 14, 2018, the Society and CSIR jointly entered into a new agreement to lease space for their shared premises, commencing on August 1, 2018 and expiring on July 31, 2023. The annual base rent, exclusive of operating costs, is as follows:

	\$
2019	28,490
2020	29,338
2021	31,373
2022	32,560
2023	18,993
	<u>140,754</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.

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

Education Expenditures

For the year ended December 31, 2018

	SCHEDULE 1	
	2018	2017
	\$	\$
BadGut® Lectures	102,571	127,335
<i>Inside Tract</i> ® Newsletter	98,765	103,430
Patient information pamphlets	116,583	94,668
badgut.org mauxdeventre.org websites	78,951	74,932
Community outreach	228,824	184,658
General education	101,922	74,389
	727,616	659,412
Recoveries of expenditures		
- personnel (Note 5)	(33,304)	(36,006)
- travel and other	(13,905)	(16,452)
	680,407	606,954

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, 2018

SCHEDULE 2

	Cost	Accumulated	Net Carrying	Current
	\$	Amortization	Value	Amortization
	\$	\$	\$	\$
Office equipment under capital lease				
Balance, December 31, 2017	17,346	5,205	12,141	
Additions	17,592	-	17,592	
Disposals	(17,346)	(5,205)	(12,141)	
Amortization	-	1,759	(1,759)	1,759
Balance, December 31, 2018	<u>17,592</u>	<u>1,759</u>	<u>15,833</u>	
Computer equipment				
Balance, December 31, 2017	12,060	8,707	3,353	
Additions	5,388	-	5,388	
Disposals	(696)	(665)	(31)	
Amortization	-	1,406	(1,406)	1,406
Balance, December 31, 2018	<u>16,752</u>	<u>9,448</u>	<u>7,304</u>	
Leasehold improvements				
Balance, December 31, 2017	7,737	2,579	5,158	
Additions	7,890	-	7,890	
Disposals	(7,737)	(2,579)	(5,158)	
Amortization	-	395	(395)	395
Balance, December 31, 2018	<u>7,890</u>	<u>395</u>	<u>7,495</u>	
Office furniture				
Balance, December 31, 2017	4,140	2,032	2,108	
Additions	1,200	-	1,200	
Amortization	-	542	(542)	542
Balance, December 31, 2018	<u>5,340</u>	<u>2,574</u>	<u>2,766</u>	
Computer software				
Balance, December 31, 2017 and 2018	<u>1,783</u>	<u>1,783</u>	<u>-</u>	<u>-</u>
Totals	49,357	15,959	33,398	4,102

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