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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2019

DeVISSER GRAY 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 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, 2019 and December 31, 2018, 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, 2019, 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, 2019 and December 31, 2018, 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, 2019 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.

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

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC, Canada
April 17, 2020

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

Statements of Revenues and Expenditures

For the years ended December 31,	**2019**	2018
	$	$
Revenues		
Fundraising		
Corporate and other (Notes 3 and 5)	**618,670**	860,940
Government grants (Note 3)	**5,000**	15,000
Individuals	**32,867**	21,639
Events and projects	**174,110**	5,275
	830,647	902,854
Newsletter subscriptions	**14,357**	13,796
Other	**1,955**	4,782
	846,959	921,432
Expenditures – Education and Fundraising		
Education, Schedule 1	**675,120**	680,407
Fundraising (Note 5)	**82,775**	15,456
	757,895	695,863
Expenditures - Other		
Governance and administration (Note 5)	**152,239**	201,137
Premises rental (Note 6)	**54,769**	42,199
	207,008	243,336
Expenditures - Total	**964,903**	939,199
Excess (deficiency) of revenues over expenditures	**(117,944)**	(17,767)

Approved by Directors:

/s/ Ron Goetz
Ron Goetz, Chair

/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,	**2019**	2018
	$	$
Fund balance, beginning	**138,904**	156,671
Excess (deficiency) of revenues over expenditures	**(117,944)**	(17,767)
Fund balance, ending	**20,960**	138,904

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

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

Balance Sheets

December 31,	**2019**	2018
	$	$
Assets		
Current		
Cash and cash equivalents	**121,423**	234,436
Receivables	**9,530**	92,894
Prepaid expenses	**6,441**	2,877
	137,394	330,207
Property and equipment, Schedule 2	**27,437**	33,398
	164,831	363,605
Liabilities, Deferred Contributions and Fund Balance		
Current		
Payables and accruals	**22,848**	20,435
Current portion of capital lease obligation (Note 2)	**3,514**	3,393
	26,362	23,828
Capital lease obligation (Note 2)	**7,409**	10,923
Deferred revenue contributions (Note 3)	**110,100**	189,950
	143,871	224,701
Fund Balance		
Unrestricted funds	**20,960**	138,904
	164,831	363,605

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,	**2019**	2018
	$	$
Cash flows related to operating activities		
Excess (deficiency) of revenues over expenditures	**(117,944)**	(17,767)
Adjustment for items not affecting cash:		
Amortization	**7,244**	4,102
Loss on disposal of property and equipment	**-**	5,189
Loss on termination of finance lease obligation	**-**	4,846
	(110,700)	(3,630)
Net change in deferred revenue contributions	**(79,850)**	(55,110)
Changes in non-cash working capital:		
Receivables	**83,364**	129,256
Prepaid expenses	**(3,564)**	(18)
Payables and accruals	**2,413**	(9,498)
	(108,337)	61,000
Cash flows related to investing activity		
Purchases of property and equipment	**(1,283)**	(14,478)
Cash flows related to financing activity		
Payment of capital lease obligation	**(3,393)**	(3,276)
Net increase (decrease) in cash and cash equivalents	**(113,013)**	43,246
Cash and cash equivalents, beginning	**234,436**	191,190
Cash and cash equivalents, ending	**121,423**	234,436
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.

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. As at December 31, 2019 and 2018, the Society did not have any cash equivalents.

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, 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 2018, 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.

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 2018, 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 the new lease, the Society recorded interest expense, included in governance and administration expenditures, of $459 (2018: $576).

	December 31, 2019	December 31, 2018
	$	$
Total minimum lease payments	**11,558**	15,410
Less: Amount representing interest	**(635)**	(1,094)
Balance of obligation	**10,923**	14,316
Less: Current portion	**(3,514)**	(3,393)
	7,409	10,923

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, 2018	**Grants received during the year**	**Recognized as revenue**	**December 31, 2019**
	$	**$**	**$**	**$**
Corporate	189,950	100,100	179,950	110,100
Government	-	5,000	5,000	-
	189,950	105,100	184,950	110,100

Deferred revenue contributions consist of $110,100 (2018: $189,950) 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: $32,734 (2018: $33,304) for education and $2,669 (2018: $13,905) for governance and administration (Schedule 1).

During the year, CSIR gifted $15,000 for the Society to host a BadGut® Lecture in British Columbia on Pharmacare's Biosimilar Switching Policy to ensure that the event had no Pharma funding. During 2018, CSIR gifted $48,000) toward a staff position to support the growth of the Society.

6. COMMITMENT AND CONTINGENCY

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:

	$
2020	29,338
2021	31,373
2022	32,560
2023	18,993
	112,264

The Society and CSIR have agreed that CSIR will be responsible for 10% of the total occupancy costs and CSIR pays its share of the occupancy costs directly to the Landlord.

The Society has a credit card with a credit limit of $15,000. As at December 31, 2019, the available credit was approximately $14,000.

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

Education Expenditures
For the year ended December 31, 2019

SCHEDULE 1

	2019	2018
	$	$
BadGut® Lectures	**182,509**	102,571
Inside Tract® Newsletter	**113,500**	98,765
Patient information pamphlets	**85,932**	116,583
badgut.org | mauxdeventre.org websites	**78,536**	78,951
Community outreach	**192,790**	228,824
General education	**57,255**	101,922
	710,523	727,616
Recoveries of expenditures		
- personnel (Note 5)	**(32,734)**	(33,304)
- travel and other	**(2,669)**	(13,905)
	675,120	680,407

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, 2019

SCHEDULE 2

	Cost $	Accumulated Amortization $	Net Carrying Value $	Current Amortization $
Office equipment under capital lease				
Balance, December 31, 2018	17,592	1,759	15,833	
Amortization	-	3,518	(3,518)	3,518
Balance, December 31, 2019	17,592	5,277	12,315	
Computer equipment				
Balance, December 31, 2018	16,752	9,448	7,304	
Additions	1,283	-	1,283	
Amortization	-	2,384	(2,384)	2,384
Balance, December 31, 2019	18,035	11,832	6,203	
Leasehold improvements				
Balance, December 31, 2018	7,890	395	7,495	
Amortization	-	789	(789)	789
Balance, December 31, 2019	7,890	1,184	6,706	
Office furniture				
Balance, December 31, 2018	5,340	2,574	2,766	
Amortization	-	553	(553)	553
Balance, December 31, 2019	5,340	3,127	2,213	
Totals	**48,857**	**21,420**	**27,437**	**7,244**

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