

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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2020

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 sheet as at December 31, 2020, 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.

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, 2020, 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, 2020 and December 31, 2019, 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, 2020 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.

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

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada

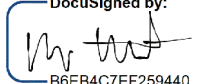
April 14, 2021

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

Statements of Revenues and Expenditures

| For the years ended December 31, | 2020 | 2019 |
|---|-----------------|------------------|
| | \$ | \$ |
| Revenues | | |
| Fundraising | | |
| Corporate and other (Notes 3 and 5) | 592,201 | 618,670 |
| Government grants (Note 3) | 18,380 | 5,000 |
| Individuals | 22,795 | 32,867 |
| Events and projects | - | 174,110 |
| | 633,376 | 830,647 |
| Newsletter subscriptions | 14,449 | 14,357 |
| Other | 3,960 | 1,955 |
| | 651,785 | 846,959 |
| Expenditures – Education and Fundraising | | |
| Education, Schedule 1 | 514,302 | 675,120 |
| Fundraising (Note 5) | 28,826 | 82,775 |
| | 543,128 | 757,895 |
| Expenditures - Other | | |
| Governance and administration (Note 5) | 97,300 | 152,239 |
| Premises rental (Note 6) | 52,202 | 54,769 |
| | 149,502 | 207,008 |
| Expenditures - Total | 692,630 | 964,903 |
| Deficiency of revenues over expenditures | (40,845) | (117,944) |

Approved by Directors:

DocuSigned by:

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 Ron Goetz, Chair

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 Alain Madgin, 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, | 2020 | 2019 |
|--|-----------------|-----------|
| | \$ | \$ |
| Fund balance, beginning | 20,960 | 138,904 |
| Deficiency of revenues over expenditures | (40,845) | (117,944) |
| Fund balance, ending | (19,885) | 20,960 |

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

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

Balance Sheets

| December 31, | 2020 | 2019 |
|---|----------|---------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash and cash equivalents | 189,188 | 121,423 |
| Receivables | 15,623 | 9,530 |
| Prepaid expenses | 6,958 | 6,441 |
| | 211,769 | 137,394 |
| Property and equipment, Schedule 2 | 20,826 | 27,437 |
| | 232,595 | 164,831 |
| Liabilities, Deferred Contributions and Fund Balance | | |
| Current | | |
| Payables and accruals | 20,606 | 22,848 |
| Current portion of capital lease obligation (Note 2) | 3,638 | 3,514 |
| | 24,244 | 26,362 |
| Capital lease obligation (Note 2) | 3,771 | 7,409 |
| Deferred revenue contributions (Note 3) | 224,465 | 110,100 |
| | 252,480 | 143,871 |
| Fund Balance | | |
| Unrestricted funds | (19,885) | 20,960 |
| | 232,595 | 164,831 |

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, | 2020 | 2019 |
|---|-----------------|------------------|
| | \$ | \$ |
| Cash flows related to operating activities | | |
| Deficiency of revenues over expenditures | (40,845) | (117,944) |
| Adjustment for items not affecting cash: | | |
| Amortization | 6,611 | 7,244 |
| | <u>(34,234)</u> | <u>(110,700)</u> |
| Net change in deferred revenue contributions | 114,365 | (79,850) |
| Changes in non-cash working capital: | | |
| Receivables | (6,093) | 83,364 |
| Prepaid expenses | (517) | (3,564) |
| Payables and accruals | (2,242) | 2,413 |
| | <u>71,279</u> | <u>(108,337)</u> |
| Cash flows related to investing activity | | |
| Purchases of property and equipment | - | (1,283) |
| Cash flows related to financing activity | | |
| Payment of capital lease obligation | (3,514) | (3,393) |
| Net increase (decrease) in cash and cash equivalents | 67,765 | (113,013) |
| Cash and cash equivalents, beginning | 121,423 | 234,436 |
| Cash and cash equivalents, ending | 189,188 | 121,423 |

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, 2020

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, 2020 and 2019, 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.

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

Notes to Financial Statements

For the year ended December 31, 2020

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.

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, 2020

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 \$338 (2019: \$459).

| | December 31, 2020 | December 31, 2019 |
|------------------------------------|------------------------------|----------------------|
| | \$ | \$ |
| Total minimum lease payments | 7,706 | 11,558 |
| Less: Amount representing interest | (297) | (635) |
| Balance of obligation | 7,409 | 10,923 |
| Less: Current portion | (3,638) | (3,514) |
| | 3,771 | 7,409 |

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, 2019 | Grants received during the year | Recognized as revenue | December 31, 2020 |
|------------|------------------------------|--|----------------------------------|------------------------------|
| | \$ | \$ | \$ | \$ |
| Corporate | 110,100 | 568,625 | 535,880 | 142,845 |
| Government | - | 100,000 | 18,380 | 81,620 |
| | 110,100 | 668,625 | 554,260 | 224,465 |

Deferred revenue contributions consist of \$ 224,465 (2019: \$110,100) 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).

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

Notes to Financial Statements

For the year ended December 31, 2020

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: \$52,153 (2019: \$32,734) for education and \$3,552 (2019: \$2,669) for governance and administration (Schedule 1).

During 2020, CSIR gifted \$15,000 (2019: \$15,000) to the Society toward the preparation of a medical journal article on irritable bowel syndrome and a survey on obesity (2019: to host a BadGut® Lecture in British Columbia on Pharmicare’s Biosimilar Switching Policy to ensure that the event had no Pharma funding).

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:

| | |
|------|---------------|
| | \$ |
| 2021 | 31,373 |
| 2022 | 32,560 |
| 2023 | 18,993 |
| | <u>82,926</u> |

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, 2020, the available credit was approximately \$14,800.

7. COVID-19 PANDEMIC

The spread of the SARS-CoV-2 virus has severely impacted economies around the globe, so that in countries, including Canada, organizations and businesses are ceasing or limiting operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown.

The Society put in place a COVID-19 plan to protect employees and volunteers, which the CEO updates as public health guidelines change. During 2020, the Society closed its office for several months as staff worked from home and, when open, fewer individuals have been in place. Because of the pandemic, the Society cancelled fundraising and educational events and it expects an ongoing decrease in donations and sponsorships. Funding is down significantly, both from corporate and individual sources. While the Society has mitigated expenses to adapt, there is uncertainty around its ability to fundraise at previous levels in the future.

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

Education Expenditures

For the year ended December 31, 2020

| | SCHEDULE 1 | |
|--|-------------------|----------|
| | 2020 | 2019 |
| | \$ | \$ |
| BadGut® Lectures (1) | 142,796 | 182,509 |
| <i>Inside Tract</i> ® Newsletter | 119,799 | 113,500 |
| Patient information pamphlets | 107,062 | 85,932 |
| badgut.org mauxdeventre.org websites | 85,628 | 78,536 |
| Community outreach | 114,250 | 192,790 |
| General education | 272 | 57,256 |
| | 569,807 | 710,523 |
| Recoveries of expenditures (Note 5) | | |
| - personnel | (52,153) | (32,734) |
| - travel and other | (3,352) | (2,669) |
| | 514,302 | 675,120 |

(1) For the year ended December 31, 2020, the Society had received \$105,000 in funding for BadGut® Lectures. With public lectures no longer permitted as a result of the COVID-19 Pandemic, the Society received permission from the sponsors to repurpose the funds for a new initiative. The Society produced a four-video series about living with inflammatory bowel disease and released it in November 2020 for IBD Awareness month.

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, 2020

SCHEDULE 2

| | Cost | Accumulated Amortization | Net Carrying Value | Current Amortization |
|---|---------------|-------------------------------------|-------------------------------|---------------------------------|
| | \$ | \$ | \$ | \$ |
| Office equipment under capital lease | | | | |
| Balance, December 31, 2019 | 17,592 | 5,277 | 12,315 | |
| Amortization | - | 3,519 | (3,519) | 3,519 |
| Balance, December 31, 2020 | <u>17,592</u> | <u>8,796</u> | <u>8,796</u> | |
| Computer equipment | | | | |
| Balance, December 31, 2019 | 18,035 | 11,832 | 6,203 | |
| Amortization | - | 1,861 | (1,861) | 1,861 |
| Balance, December 31, 2020 | <u>18,035</u> | <u>13,693</u> | <u>4,342</u> | |
| Leasehold improvements | | | | |
| Balance, December 31, 2019 | 7,890 | 1,184 | 6,706 | |
| Amortization | - | 789 | (789) | 789 |
| Balance, December 31, 2020 | <u>7,890</u> | <u>1,973</u> | <u>5,917</u> | |
| Office furniture | | | | |
| Balance, December 31, 2019 | 5,340 | 3,127 | 2,213 | |
| Amortization | - | 442 | (442) | 442 |
| Balance, December 31, 2020 | <u>5,340</u> | <u>3,569</u> | <u>1,771</u> | |
| Totals | 48,857 | 28,031 | 20,826 | 6,611 |

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