

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

Vancouver, B.C.

FINANCIAL STATEMENTS

December 31, 2023

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) (the "Society"), which comprise the statements of revenues and expenditures, changes in fund balance and cash flows and balance sheet for the year ended December 31, 2023 and as at December 31, 2023, 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 the Society as at December 31, 2023, and the results of its operations 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, the Society 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 the Society and we were not able to determine whether, as at or for the years ended December 31, 2023 and 2022, 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, 2023 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 the Society 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.

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

June 15, 2024

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

Statements of Revenues and Expenditures

For the years ended December 31,	2023	2022
	\$	\$
Revenues		
Fundraising		
Corporate (Note 4)	781,485	759,348
Foundations and Groups (Notes 4 and 6)	82,236	76,518
Government grants (Note 4)	5,000	5,000
Individuals	29,146	25,983
Events and projects	182,600	-
	<u>1,080,467</u>	<u>866,849</u>
Newsletter subscriptions	13,128	13,975
Other	12,101	10,594
	<u>1,105,696</u>	<u>891,418</u>
Expenditures – Education and Fundraising		
Education (Schedule 1)	813,330	764,443
Fundraising (Note 6)	106,283	-
	<u>919,613</u>	<u>764,443</u>
Expenditures – Other		
Governance and administration (Note 6)	111,529	95,861
Premises rental (Note 7)	61,504	59,344
	<u>173,033</u>	<u>155,205</u>
Expenditures – Total	<u>1,092,646</u>	<u>919,648</u>
Excess (deficiency) of revenues over expenditures	<u>13,050</u>	<u>(28,230)</u>

Approved by the Board of Directors on June 15, 2024:

“Ron Goetz”

Ron Goetz, Chair

“Alain Madgin”

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,	2023	2022
	\$	\$
Fund balance, beginning	101,524	129,754
Excess (deficiency) of revenues over expenditures	13,050	(28,230)
Fund balance, ending	114,574	101,524

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

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

Balance Sheets

December 31,	2023	2022
	\$	\$
Assets		
Current		
Cash and cash equivalents	180,341	258,059
Receivables	51,568	40,647
Prepaid expenses	5,788	10,315
	<u>237,697</u>	<u>309,021</u>
Capital assets (Schedule 2)	21,108	13,992
	<u>258,805</u>	<u>323,013</u>
Liabilities, Deferred Contributions and Fund Balance		
Current		
Payables and accruals	37,453	29,579
Current portion of capital lease obligation (Note 3)	2,222	-
Deferred revenue contributions (Note 4)	96,375	191,910
	<u>136,050</u>	<u>221,489</u>
Capital lease obligation (Note 3)	8,181	-
	<u>144,231</u>	<u>221,489</u>
Fund Balance		
Unrestricted	114,574	101,524
	<u>258,805</u>	<u>323,013</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,	2023	2022
	\$	\$
Cash flows related to operating activities		
Excess (deficiency) of revenues over expenditures	13,050	(28,230)
Adjustment for items not affecting cash:		
Amortization	<u>6,176</u>	<u>6,320</u>
	19,226	(21,910)
Changes in non-cash working capital:		
Receivables	(10,921)	11,309
Prepaid expenses	4,527	(6,330)
Payables and accruals	7,874	11,661
Deferred revenue contributions	<u>(95,535)</u>	<u>(14,351)</u>
	<u>(74,829)</u>	<u>(19,621)</u>
Cash flows related to investing activity		
Purchase of capital assets	<u>(880)</u>	<u>(5,450)</u>
Cash flows related to financing activity		
Payment of capital lease obligation	<u>(2,009)</u>	<u>(3,771)</u>
Net decrease in cash and cash equivalents	(77,718)	(28,842)
Cash and cash equivalents, beginning	<u>258,059</u>	<u>286,901</u>
Cash and cash equivalents, ending	<u>180,341</u>	<u>258,059</u>
Supplementary Information:		
Acquisition of equipment under finance lease	12,412	-
Lease obligation resulting from finance lease	(12,412)	-

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, 2023

1. NATURE AND CONTINUITY OF THE ORGANIZATION

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.

At December 31, 2023, the Society had net assets of \$114,574 included in its Unrestricted Fund (the “Fund”). The use of this Fund is subject only to the policies and decisions adopted by the Board of Directors. None of the Society’s net assets are subject to the control of entities external to the Society. In the opinion of management, these surplus funds provide a reserve adequate to reasonably safeguard the Society’s continuity as a going concern.

2. 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, 2023 and 2022, the Society did not have any cash equivalents.

Capital Assets

Capital assets 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

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, 2023

2. 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.

Economic Dependency

The Society receives contributed materials and services (see above) and a substantial amount of revenue from public sector grants, corporate sponsorships, and individual donations. Its continuing operations depend on those receipts.

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

Notes to Financial Statements

For the year ended December 31, 2023

3. CAPITAL LEASE OBLIGATION

On August 25, 2022, the Society entered into a new lease for office equipment. The lease is for a term of 60 months with 20 quarterly payments of \$800. The equipment was delivered, and the first payment was made, in January 2023. In relation to the lease, the Society recorded interest expense, included in governance and administration expenditures, of \$1,191 (2022: \$83).

	December 31, 2023	December 31, 2022
	\$	\$
Total minimum lease payments	12,799	-
Less: Amount representing interest at 10.2%	(2,396)	-
Balance of obligation	10,403	-
Less: Current portion	(2,222)	-
	<u>8,181</u>	<u>-</u>

4. 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, 2022	Grants received during the year	Recognized as revenue	December 31, 2023
	\$	\$	\$	\$
Corporate	191,910	685,950	781,485	96,375
Foundations/Groups	-	82,236	82,236	-
Government	-	5,000	5,000	-
	<u>191,910</u>	<u>773,186</u>	<u>868,721</u>	<u>96,375</u>

Deferred revenue contributions consist of \$96,375 (2022: \$191,910) for education expenditures. See Note 6.

5. 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.

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

Notes to Financial Statements

For the year ended December 31, 2023

5. FINANCIAL INSTRUMENTS (CONTINUED)

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).

6. 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: \$19,902 (2022: \$8,999) for education and \$8,035 (2022: \$5,715) for governance and administration (Schedule 1).

During the year, the Society received a \$75,040 (2022: \$Nil) education grant from CSIR.

7. COMMITMENT AND CONTINGENCY

On June 14, 2018, the Society and CSIR jointly entered into an agreement to lease space for their shared premises. The lease was extended on June 16, 2021 and amended and extended on June 7, 2023. The current lease term is for a period of five years, commencing on August 1, 2023 and ending on July 31, 2028 and includes one five-year option to renew the lease. The annual base rent, exclusive of operating costs, is as follows:

	\$
2024	32,560
2025	32,560
2026	33,408
2027	34,595
2028	20,180
	<u>153,303</u>

The Society and CSIR have agreed that CSIR will be responsible for 10% of the total occupancy costs.

The Society has a credit card with a credit limit of \$15,000. As at December 31, 2023, the available credit was approximately \$15,000.

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

Notes to Financial Statements

For the year ended December 31, 2023

8. COMPARATIVE AMOUNTS

Certain of the comparative amounts in Schedule 1 to the financial statements have been reclassified to conform with the revised categories adopted by management during the year as follows:

- Lectures, Videos, Reports is comprised of:
 - Videos;
 - General education; and
 - Badgut Lectures

- *Inside Tract*® Newsletter & Website is comprised of:
 - *Inside Tract*® Newsletter; and
 - badgut.org | mauxdeventre.org websites

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

Education Expenditures

For the year ended December 31, 2023

	SCHEDULE 1	
	2023	2022
	\$	\$
Lectures, Videos, Reports	347,070	386,008
<i>Inside Tract</i> ® Newsletter & Website	243,961	218,707
Patient information pamphlets	107,824	81,586
Community outreach	145,754	93,914
	<hr/>	<hr/>
	844,609	780,215
Recoveries of expenditures		
- Personnel (Note 6)	(27,937)	(14,714)
- Travel and other	(3,342)	(1,058)
	<hr/>	<hr/>
	813,330	764,443

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

Capital Assets

For the year ended December 31, 2023

SCHEDULE 2

	Cost	Accumulated	Net Carrying	Current
	\$	Amortization	Value	Amortization
		\$	\$	\$
Office equipment under capital lease				
Balance, December 31, 2022	17,592	15,832	1,760	
Expiry of prior lease	(17,592)	(17,592)	-	
Execution of current lease	12,412	-	12,412	
Amortization	-	3,001	(3,001)	3,001
Balance, December 31, 2023	<u>12,412</u>	<u>1,241</u>	<u>11,171</u>	
Computer equipment				
Balance, December 31, 2022	23,485	16,725	6,760	
Additions	880	-	880	
Amortization	-	2,160	(2,160)	2,160
Balance, December 31, 2023	<u>24,365</u>	<u>18,885</u>	<u>5,480</u>	
Leasehold improvements				
Balance, December 31, 2022	7,890	3,552	4,338	
Amortization	-	788	(788)	788
Balance, December 31, 2023	<u>7,890</u>	<u>4,340</u>	<u>3,550</u>	
Office furniture				
Balance, December 31, 2022	5,340	4,206	1,134	
Amortization	-	227	(227)	227
Balance, December 31, 2023	<u>5,340</u>	<u>4,433</u>	<u>907</u>	
Totals	<u>50,007</u>	<u>28,899</u>	<u>21,108</u>	<u>6,176</u>