



FINANCIAL STATEMENTS

December 31, 2018

Approved at the June 10, 2019 Board Meeting

## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS OF PAIN BC SOCIETY

#### *Opinion*

We have audited the financial statements of Pain BC Society (the "Society"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pain BC Society as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for non-for-profit organizations ("ASNPO").

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audit of the financial statements in Canada, and we have fulfilled our other 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 opinion.

#### *Other Matter*

The financial statements of the Society for the year ended December 31, 2017 were unaudited. We were not engaged to report on the comparative information, and as such, it is unaudited.

#### *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 ASNPO, and for such internal control as the 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.

#### *Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

#### *Report on Other Legal and Regulatory Requirements*

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the principles in ASNPO have been applied on a basis consistent with that of the preceding year.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 10, 2019

**PAIN BC SOCIETY**


## STATEMENT OF FINANCIAL POSITION




As at December 31,

		2018	2017
		\$	\$
(unaudited)			
<b>Assets</b>			
Current			
Cash and cash equivalents	Note 3	286,793	166,553
Accounts receivable		118,059	134,791
Prepaid expenses		6,839	3,827
		<b>411,691</b>	305,171
<b>Restricted cash and cash equivalents</b>	Notes 4 and 5	<b>1,213,002</b>	1,362,473
		<b>1,624,693</b>	1,667,644
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		97,890	57,796
Deferred revenue	Note 5	1,213,002	1,362,473
		<b>1,310,892</b>	1,420,269
<b>Net Assets</b>			
Unrestricted net assets		313,801	247,375
		<b>1,624,693</b>	1,667,644

Approved on behalf of the Board:

  
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 Director

  
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 Director

**PAIN BC SOCIETY**

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS



For the year ended December 31,

		2018	2017
		\$	\$
			(unaudited)
<b>Revenues</b>			
Fundraising			
Corporate and other	Note 5	15,741	86,614
Government	Note 5	1,144,409	679,231
Individuals	Note 5	3,558	15,347
Programs and events	Note 5	73,420	64,531
		<b>1,237,128</b>	845,723
Interest		15,385	2,577
Membership fees		5,455	2,970
		<b>1,257,968</b>	851,270
<b>Expenditures</b>			
Communications	Schedule 1	134,065	115,770
Community engagement	Schedule 1	30,557	137,125
Governance and administration	Schedule 1	343,378	141,035
Health system redesign	Schedule 1	11,280	117,185
Patient education and support	Schedule 1	241,340	217,889
Prevention and early intervention	Schedule 1	2,928	4,938
Provider education and support	Schedule 1	185,152	159,410
Provincial pain summit initiatives	Schedule 1	224,297	116,420
Research promotion	Schedule 1	18,545	23,211
		<b>1,191,542</b>	1,032,983
<b>Excess (deficiency) of revenues over expenditures</b>		<b>66,426</b>	(181,713)
Net Assets, beginning		<b>247,375</b>	429,088
<b>Net Assets, ending</b>		<b>313,801</b>	247,375

**Commitment (Note 9)**

**PAIN BC SOCIETY**

## STATEMENT OF CASH FLOWS



For the year ended December 31,

	2018	2017
	\$	\$
		(unaudited)
<b>Cash flows related to operating activities</b>		
Excess (deficiency) of revenues over expenditures	66,426	(181,713)
Changes in non-cash working capital		
Accounts receivable	16,732	19,122
Prepaid expenses	(3,012)	6,654
Accounts payable and accrued liabilities	40,094	(37,002)
Deferred revenue	(149,471)	1,311,043
	<b>(29,231)</b>	1,118,104
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(29,231)</b>	1,118,104
Cash and cash equivalents, beginning	1,529,026	410,922
<b>Cash and cash equivalents, ending</b>	<b>1,499,795</b>	1,529,026
<b>Represented by:</b>		
Unrestricted	286,793	166,553
Restricted	1,213,002	1,362,473
	<b>1,499,795</b>	1,529,026

For the year ended December 31, 2018

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**Note 1 Operations**

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Pain BC Society (“Pain BC” or the “Society”) was established under the British Columbia *Society Act*, in 2008. Pain BC’s mission is to improve the lives of people in pain through empowerment, education and innovation. Pain BC raises funds to focus on six primary and one enabling strategies:

- Promote prevention and early intervention in chronic pain and pain related disability;
- Educate, promote skill development, and build hope and confidence among people in pain and their families;
- Empower health care providers with the education, tools and skills they need to improve the lives of people in pain;
- Facilitate planning, action, evaluation and innovation leading to service system change;
- Engage a cross-sectoral coalition in collective action to raise awareness of chronic pain and reduce the stigma associated with it;
- Foster and encourage pain and pain-related disability research; and
- Increase awareness of Pain BC’s programs, services and reputation.

The Society is a registered charity under the *Income Tax Act*, and as such, is exempt from income tax.

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**Note 2 Significant Accounting Policies**

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The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

**Cash and Cash Equivalents**

Cash and cash equivalents is comprised of cash and term deposits that are short-term, highly liquid and readily convertible to known amounts of cash, and are subject to an insignificant risk of change in value.

For the year ended December 31, 2018

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**Note 2 Significant Accounting Policies (continued)**

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**Revenue Recognition**

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred, if the amount to be received can be reasonably estimated and collection is reasonably assured. 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.

Membership fees are invoiced annually. Membership fees are recognized as revenue once collection is reasonably assured. Conference and pre-conference revenues are recognized upon receipt of the registration form or when collection is reasonably assured.

Interest income is recognized as revenue as it is earned in accordance with the terms of the instrument.

**Contributed Materials and Services**

Contributed materials are recorded as revenue at their fair value at the time the materials are donated if their fair value can be reasonably estimated, and the materials are used in the normal course of 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 time to the Society.

**Allocation of Expenditures**

The Society engages in public, patient and clinical education, patient support programs, research and systems redesign initiatives. The costs of each program include expenditures that are directly related to providing the program. The Society also incurs general office expenditures that are common to the administration of the organization and each of its programs. The services of contractors and employees are used to support the operations and everyday activities of Pain BC.



For the year ended December 31, 2018

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**Note 2 Significant Accounting Policies (continued)**

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The Society allocates a certain portion of its contractor and employee expenditures, and general office expenditures by identifying the appropriate basis of allocating each component expenditure and applying that basis consistently each year, allowing for fluctuations in program activities. Contract and general office expenditures are allocated on the following bases:

- Contractor and employee expenditures are allocated proportionately based on the estimated time spent by individuals on each program.
- General office expenditures are allocated proportionately based on the estimated usage by each program.

**Financial Instruments***Measurement of financial instruments*

The Society measures its financial assets and financial liabilities at fair value at the acquisition date, except for financial assets and financial liabilities acquired in related party transactions. Transaction costs related to the acquisition of financial instruments subsequently measured at fair value are recognized in net earnings 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 (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 (deficiency) of revenues over expenditures.

For the year ended December 31, 2018

**Note 2 Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with ASNPO 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. Significant estimates include the collectability of accounts receivable, accrued liabilities, deferred revenue, and allocation of expenditures. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

**Note 3 Cash and Cash Equivalents**

Cash and cash equivalents are made up of the following:

	<b>2018</b>	2017
	\$	\$
		(unaudited)
Cash	<b>39,049</b>	78,197
Term deposit [bears interest at 1.40%, matures February 2019 (2017: 1.20%, October 2018)]	<b>247,744</b>	88,356
	<b>286,793</b>	166,553

**Note 4 Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents are made up of the following:

	<b>2018</b>	2017
	\$	\$
		(unaudited)
Cash	<b>308,088</b>	-
Term deposits [bears interest at 1.20%, matures May 2019 (2017: 1.20%, October 2018)]	<b>904,914</b>	1,362,473
	<b>1,213,002</b>	1,362,473

For the year ended December 31, 2018

**Note 5 Contributions and Deferred Revenue**

The Society receives both restricted and unrestricted contributions in the form of grants and donations. Restricted contributions are received from funding organizations for specific projects or activities proposed by the Society. Unrestricted contributions are grants and donations received from the government, members and others and are used to deliver results in accordance with the Society's Strategic Plan. Contributions are made up as follows:

For the year ended December 31, 2018

	Deferred Revenue, December 31, 2017 \$	Restricted \$	Unrestricted \$	Recognized as Revenue \$	Deferred Revenue, December 31, 2018 \$
	(unaudited)				
Corporate and other	-	203,536	340	(15,741)	<b>188,135</b>
Government	1,359,223	785,068	-	(1,144,409)	<b>999,882</b>
Individual	3,250	95,570	3,143	(76,978)	<b>24,985</b>
	<b>1,362,473</b>	<b>1,084,174</b>	<b>3,483</b>	<b>(1,237,128)</b>	<b>1,213,002</b>

For the year ended December 31, 2017

	Deferred Revenue, December 31, 2016 \$	Restricted \$	Unrestricted \$	Recognized as Revenue \$	Deferred Revenue, December 31, 2017 \$
	(unaudited)				
Corporate and other	-	86,305	309	(86,614)	-
Government	51,430	1,987,024	-	(679,231)	<b>1,359,223</b>
Individual	-	68,431	14,697	(79,878)	<b>3,250</b>
	<b>51,430</b>	<b>2,141,760</b>	<b>15,006</b>	<b>(845,723)</b>	<b>1,362,473</b>

For the year ended December 31, 2018

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**Note 5 Contributions and Deferred Revenue (continued)**

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**Provincial Pain Summit**

During the year ended December 31, 2017, the Society received a \$1,500,000 contribution from the Ministry of Health. This contribution is externally restricted to support the initiatives that were developed from the Society's Provincial Pain Summit in February 2017. During the year ended December 31, 2018, \$359,341 (2017: \$140,777) was recorded as revenue on the statement of operations with respect to this contribution. As of December 31, 2018, \$999,882 (2017: \$1,359,223) was recorded as deferred revenue from the Ministry of Health contribution, as this balance will be recorded as revenue when the related expenditures are incurred.

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**Note 6 Guarantees**

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Indemnity has been provided to all directors and officers of the Society for various items, including, but not limited to, all costs to settle suits or actions due to involvement with the Society, subject to certain restrictions. The Society has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as director or officer of the Society. The nature of this indemnity prevents the Society from making a reasonable estimate of the maximum exposure to liability. This stems from the unpredictability of future events and the unlimited coverage offered. Historically the Society has not made any payments for indemnities, and therefore no amount has been accrued in the financial statements.

For the year ended December 31, 2018

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**Note 7 Financial Instruments**

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Items that meet the definition of a financial instrument include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. 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 these financial instruments.

**Risks and Concentrations**

The Society is exposed to various risks through its financial instruments, without being exposed to any significant concentrations of risk.

**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 accounts payable and accrued liabilities. Cash flow from operations provides all of the Society's cash requirements to meet its obligations.

**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 accounts receivable. This risk is mitigated by entering into contracts with credit-worthy counterparties.

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**Note 8 Related Party Transactions**

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A former director of the Society is a partner at the Society's former legal counsel. The law firm was paid \$0 (2017: \$2,397) for their services for the year ended December 31, 2018.

Related party transactions are in the normal course of operations and are measured at the exchange amount at the time the agreement is entered into or services are provided.

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**Note 9 Commitment**

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The Society is committed to rental payments for office premises for \$22,170 in fiscal 2019, \$22,170 in fiscal 2020 and \$5,542 in fiscal 2021. The office premise lease expires March 31, 2021.

For the year ended December 31, 2018

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**Note 10 Remuneration of Directors, Employees and Contractors**

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During the year, the Society paid 4 employees in excess of \$75,000 for total remuneration of \$360,000  
The Society does not provide remuneration to its Board of Directors.

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**Note 11 Comparative Figures**

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The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**PAIN BC SOCIETY**

SCHEDULE 1 – EXPENDITURES



For the year ended December 31, 2018

The following provides a further breakdown of certain expenditures for the year ended December 31, 2018:

	Communi- cations	Community Engagement	Governance & Admin	Health System Redesign	Patient Education & Support	Prevention & Early Intervention	Provider Education & Support	Provincial Pain Summit	Research Promotion	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Advertising & promotion	7,262	1,515	2,712	-	7,831	-	560	1	-	<b>19,881</b>
Materials & program supplies	571	-	8	-	10,059	-	2,770	87	-	<b>13,495</b>
Meeting rental & meal costs	137	140	4,087	-	4,564	-	8,885	5,249	134	<b>23,196</b>
Office supplies & other	322	151	21,764	340	6,202	-	11,128	5,583	1,014	<b>46,504</b>
Payroll	82,629	25,167	207,624	9,655	151,563	578	101,363	191,631	15,742	<b>785,952</b>
Professional fees	3,649	1,794	52,190	-	23,394	2,350	35,833	18,395	150	<b>137,755</b>
Rent	-	-	13,405	-	14,355	-	-	-	-	<b>27,760</b>
Software & systems management	984	-	10,635	-	14,866	-	16,254	-	-	<b>42,739</b>
Telecommunications	2,202	372	20,643	16	4,380	-	790	1,169	59	<b>29,631</b>
Travel	293	1,418	10,023	1,269	2,488	-	7,569	2,182	1,446	<b>26,688</b>
Website & technical support	36,016	-	287	-	1,638	-	-	-	-	<b>37,941</b>
	<b>134,065</b>	<b>30,557</b>	<b>343,378</b>	<b>11,280</b>	<b>241,340</b>	<b>2,928</b>	<b>185,152</b>	<b>224,297</b>	<b>18,545</b>	<b>1,191,542</b>

**PAIN BC SOCIETY**

SCHEDULE 1 – EXPENDITURES (continued)



For the year ended December 31, 2018

The following provides a further breakdown of certain expenditures for the year ended December 31, 2017:

	Communi- cations	Community Engagement	Governance & Admin	Health System Redesign	Patient Education & Support	Prevention & Early Intervention	Provider Education & Support	Provincial Pain Summit	Research Promotion	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
										(unaudited)
Advertising & promotion	4,645	500	2,110	4,518	2,027	-	150	-	-	13,950
Materials & program supplies	3,972	172	122	556	11,214	-	235	-	-	16,271
Meeting rental & meal costs	-	1,852	1,252	43,996	3,571	-	7,902	693	590	59,856
Office supplies & other	-	133	14,367	563	3,062	-	2,517	-	-	20,642
Payroll	97,159	105,940	65,087	27,148	131,281	4,938	91,813	103,471	22,603	649,440
Professional fees	1,096	15,918	26,052	37,520	53,333	-	40,778	3,189	-	177,886
Rent	-	-	-	-	3,000	-	-	-	-	3,000
Software & systems management	1,905	-	18,550	-	2,369	-	9,075	3,891	-	35,790
Telecommunications	-	293	4,237	-	1,658	-	-	4,813	-	11,001
Travel	-	12,317	8,134	2,884	3,961	-	6,940	363	18	34,617
Website & technical support	6,993	-	1,124	-	2,413	-	-	-	-	10,530
	115,770	137,125	141,035	117,185	217,889	4,938	159,410	116,420	23,211	1,032,983