



FINANCIAL STATEMENTS

December 31, 2019

Approved at the April 22, 2020 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, 2019;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the 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 the Society as at December 31, 2019, 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.

#### *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 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 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

April 22, 2020

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

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**PAIN BC SOCIETY**

## STATEMENT OF FINANCIAL POSITION




As at December 31,

		2019	2018
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents	Note 3	347,619	286,793
Accounts receivable		108,822	118,059
Prepaid expenses		12,181	6,839
		<b>468,622</b>	411,691
<b>Restricted cash and cash equivalents</b>	Note 4	<b>739,408</b>	1,213,002
		<b>1,208,030</b>	1,624,693
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		93,644	97,890
Deferred revenue	Note 5	778,908	1,213,002
		<b>872,552</b>	1,310,892
<b>Net Assets</b>			
Unrestricted net assets		335,478	313,801
		<b>1,208,030</b>	1,624,693

**Commitment (Note 8)**

Approved on behalf of the Board:

  
 \_\_\_\_\_  
 Director

  
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 Director

**PAIN BC SOCIETY**

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS



For the year ended December 31,

		2019	2018
		\$	\$
<b>Revenues</b>			
Fundraising			
Corporate and other	Note 5	402,213	15,741
Government	Note 5	1,081,200	1,144,409
Individuals	Note 5	17,167	3,558
Programs and events	Note 5	85,398	73,420
		<b>1,585,978</b>	1,237,128
Interest		14,535	15,385
Membership fees		-	5,455
		<b>1,600,513</b>	1,257,968
<b>Expenditures</b>			
Communications and fund development		219,957	134,065
Community engagement		6,193	30,557
Operations and governance		490,925	343,378
Health system redesign		53,205	11,280
Patient education and support		478,238	241,340
Prevention and early intervention		18,845	2,928
Provider education and support		238,972	185,152
Provincial pain summit initiatives		46,893	224,297
Research promotion		25,608	18,545
		<b>1,578,836</b>	1,191,542
<b>Excess of revenues over expenditures</b>		<b>21,677</b>	66,426
Net Assets, beginning		<b>313,801</b>	247,375
<b>Net Assets, ending</b>		<b>335,478</b>	313,801

**PAIN BC SOCIETY**

## STATEMENT OF CASH FLOWS



For the year ended December 31,

	2019	2018
	\$	\$
<b>Cash flows related to operating activities</b>		
Excess of revenues over expenditures	21,677	66,426
Changes in non-cash working capital		
Accounts receivable	9,237	16,732
Prepaid expenses	(5,342)	(3,012)
Accounts payable and accrued liabilities	(4,246)	40,094
Deferred revenue	(434,094)	(149,471)
	<b>(412,768)</b>	<b>(29,231)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(412,768)</b>	<b>(29,231)</b>
Cash and cash equivalents, beginning	1,499,795	1,529,026
<b>Cash and cash equivalents, ending</b>	<b>1,087,027</b>	<b>1,499,795</b>
<b>Represented by:</b>		
Unrestricted	347,619	286,793
Restricted	739,408	1,213,002
	<b>1,087,027</b>	<b>1,499,795</b>

# PAIN BC SOCIETY

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

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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 strategies:

- Prevent persistent pain and intervene early to reduce its impacts;
- Empower people who live with pain to enhance wellbeing;
- Educate health care providers to better assess and manage pain;
- Improve the systems that impact people in pain, communities and society;
- Combat stigma and its negative effects; and
- Foster research on pain and pain-related disability.

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 are 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.

# **PAIN BC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2019

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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.

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.

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. Expenditures are allocated on the following basis:

- 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.



# **PAIN BC SOCIETY**

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

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#### **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.

#### **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.

# PAIN BC SOCIETY

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

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### Note 3 Cash and Cash Equivalents

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Cash and cash equivalents are made up of the following:

	2019	2018
	\$	\$
Cash	96,406	39,049
Term deposit [bears interest at 1.90%, matures February 2020 (2018: 1.40%, February 2019)]	251,213	247,744
	<b>347,619</b>	<b>286,793</b>

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### Note 4 Restricted Cash and Cash Equivalents

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

	2019	2018
	\$	\$
Cash	112,634	308,088
Term deposits [bears interest at 1.70%, matures May 2020 (2018: 1.20%, May 2019)]	626,774	904,914
	<b>739,408</b>	<b>1,213,002</b>

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### Note 5 Contributions and Deferred Revenue

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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 funding organizations and individuals used to deliver results in accordance with the Society's Strategic Plan. Contributions are made up as follows:

# PAIN BC SOCIETY

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

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

For the year ended December 31, 2019

	Deferred Revenue, December 31, 2018 \$	Restricted \$	Unrestricted \$	Recognized as Revenue \$	Deferred Revenue, December 31, 2019 \$
Corporate, Foundations and other	188,135	360,274	6,627	(402,213)	<b>152,823</b>
Government Individuals, programs and events	999,882	694,646	-	(1,081,200)	<b>613,328</b>
	24,985	73,170	17,167	(102,565)	<b>12,757</b>
	<b>1,213,002</b>	<b>1,128,090</b>	<b>23,794</b>	<b>(1,585,978)</b>	<b>778,908</b>

For the year ended December 31, 2018

	Deferred Revenue, December 31, 2017 \$	Restricted \$	Unrestricted \$	Recognized as Revenue \$	Deferred Revenue, December 31, 2018 \$
	(unaudited)				
Corporate, Foundations and other	-	203,536	340	(15,741)	<b>188,135</b>
Government Individuals, programs and events	1,359,223	785,068	-	(1,144,409)	<b>999,882</b>
	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>

# **PAIN BC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2019

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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, 2019, \$386,554 (2018: \$359,341) was recorded as revenue on the statement of operations with respect to this contribution. As of December 31, 2019, \$613,328 (2018: \$999,882) 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.

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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.

# PAIN BC SOCIETY

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019

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### Note 7 Financial Instruments (continued)

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#### 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 Commitments

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The Society currently leases office space under an agreement expiring March 31, 2021. The Society has entered into a new lease agreement for office space effective July 1, 2020 to June 30, 2025. The total lease payments under the terms of both leases are as follows:

2020	\$45,807
2021	\$52,817
2022	\$47,275
2023	\$47,275
2024	\$47,275
2025	\$23,637
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	\$264,086

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### Note 9 Remuneration of Directors, Employees and Contractors

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During the year, the Society paid 4 (2018 – 4) employees in excess of \$75,000 for total remuneration of \$375,000 (2018 - \$360,000). The Society does not provide remuneration to its Board of Directors.

# **PAIN BC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2019

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### **Note 10 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.

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### **Note 11 Subsequent Events**

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Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Society in future periods.