

Audited Financial Statements of

VICTORIA HOSPICE SOCIETY

Year ended March 31, 2007



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AUDITORS' REPORT TO THE MEMBERS OF VICTORIA HOSPICE SOCIETY

We have audited the statement of financial position of Victoria Hospice Society as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

Victoria, Canada

June 15, 2007

VICTORIA HOSPICE SOCIETY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	Operating Fund	Capital Fund	Total 2007	Total 2006
Assets				
Current assets:				
Cash	\$ 91,151	-	91,151	107,701
Accounts receivable	88,345	-	88,345	65,542
Prepaid expenses	-	-	-	2,368
Inventories	35,221	-	35,221	26,872
Receivable from Victoria Hospice and Palliative Care Foundation	799,989	-	799,989	554,243
	1,014,706	-	1,014,706	756,726
Capital assets (note 2)	-	1,034,612	1,034,612	384,426
Deferred development costs (note 3)	136,789	-	136,789	191,209
	\$ 1,151,495	1,034,612	2,186,107	1,332,361
Liabilities				
Payable to Vancouver Island Health Authority	\$ 675,385	-	675,385	480,162
Holiday pay and accounts payable	334,670	-	334,670	257,935
Deferred revenue	3,500	-	3,500	9,000
	1,013,555	-	1,013,555	747,097
Net Assets				
Invested in capital assets	-	1,034,612	1,034,612	384,426
Unrestricted	137,940	-	137,940	200,838
	137,940	1,034,612	1,172,552	585,264
Commitments (note 6)				
	\$ 1,151,495	1,034,612	2,186,107	1,332,361

See accompanying notes to financial statements.

Approved on Behalf of the Board:

_____ Director

_____ Director

VICTORIA HOSPICE SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

	Operating Fund	Capital Fund	Total 2007	Total 2006
Revenue:				
Vancouver Island Health Authority:				
Operating grant and contract funding	\$ 2,692,748	-	2,692,748	2,546,446
M.S.P. recoveries	484,885	-	484,885	424,975
	3,177,633	-	3,177,633	2,971,421
Public support:				
Donations and fund raising	141,026	-	141,026	140,704
Publications, courses and services	392,284	-	392,284	349,783
Other	46,316	-	46,316	82,956
	579,626	-	579,626	573,443
Net donations from Victoria Hospice and Palliative Care Foundation (note 5)	2,045,876	893,675	2,939,551	2,137,985
Total revenue	5,803,135	893,675	6,696,810	5,682,849
Expenses:				
Amortization of capital assets	-	291,809	291,809	114,704
Bereavement	234,785	-	234,785	217,868
Communications	68,691	-	68,691	56,306
Corporate and administration	513,434	-	513,434	540,226
Counseling and spiritual	648,790	-	648,790	573,335
Learning centre division	207,763	-	207,763	120,779
Medical	553,501	-	553,501	505,735
Nursing: acute care	1,341,519	-	1,341,519	1,308,889
Nursing: community care	167,046	-	167,046	184,441
Nursing: extended care	909,134	-	909,134	898,778
Palliative response team	536,793	-	536,793	485,626
Projects and committees	143,563	-	143,563	91,461
Publications, courses and services	305,877	-	305,877	237,963
Staff development and education	37,619	-	37,619	37,432
Volunteers	137,953	-	137,953	139,188
	5,806,468	291,809	6,098,277	5,512,731
Contributions to other organizations	11,245	-	11,245	66,839
Excess (deficiency) of revenue over expenses	(14,578)	601,866	587,288	103,279
Fund balances, beginning of year	200,838	384,426	585,264	481,985
Interfund transfers for capital purchases	(48,320)	48,320	-	-
Fund balances, end of year	\$ 137,940	1,034,612	1,172,552	585,264

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ (14,578)	\$ 76,202
Capital Fund	601,866	27,077
	<u>587,288</u>	<u>103,279</u>
Items not involving cash:		
Amortization of capital assets	291,809	114,704
Amortization of deferred development costs	64,790	38,030
Change in non-cash operating working capital	<u>(8,072)</u>	<u>(69,392)</u>
	935,815	186,621
Investing:		
Purchase of capital assets	(941,995)	(132,672)
Deferred development costs incurred	<u>(10,370)</u>	<u>(141,317)</u>
	(952,365)	(273,989)
Decrease in cash	(16,550)	(87,368)
Cash, beginning of year	107,701	195,069
Cash, end of year	<u>\$ 91,151</u>	<u>\$ 107,701</u>

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2007

The Victoria Hospice Society (the "Society") is incorporated under the Society Act (British Columbia) and is a charitable organization under the Income Tax Act. The Society's principal activities are to provide palliative care, counseling, bereavement support, research and education. The Society operates from premises and enjoys certain other services provided by the Vancouver Island Health Authority, the value of which is not readily ascertainable and has therefore not been reflected in these financial statements.

1. Significant accounting policies:

It is the Society's policy to follow Canadian generally accepted accounting principles for not-for-profit organizations and to apply such principles consistently. The following is a summary of the significant accounting policies.

(a) Fund accounting:

The Society follows the restricted fund method of accounting for contributions.

The Society receives support from various donors and allows for restrictions on the use of the donations. These are recorded in the following fund:

Operating Fund:

The Operating Fund is unrestricted and includes general operating revenue and expenses of the Society. Donations are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted revenues include amounts received for which there are no restrictions attached by the donor and unrestricted earnings on Society investments. Restricted operating donations are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions are recorded as revenue in the appropriate fund.

Capital Fund:

The Capital Fund reports the assets, liabilities, revenue and expenses related to the Society's capital assets.

(b) Inventories:

Inventories consist of manuals and books held for resale and are stated at the weighted average cost.

(c) Medical supplies:

Medical supplies are expensed as purchased.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are stated at cost.

Amortization is calculated on a straight-line method over the assets' estimated useful lives as follows:

Asset	Years
Equipment	5 - 10
Leasehold improvements	term of the lease
Vehicles	5

Art works and other capital assets are not subject to amortization.

(e) Deferred development costs:

The Society incurs costs to develop palliative care medical manuals and courses. The Society's policy is to defer these costs until the course or medical manual development is complete. Once complete, the costs are amortized over a 48-month period, which approximates management's estimate of the future economic benefits from these medical manuals and courses. Costs are carried at amounts which do not exceed the expected future cash flow benefits from the projects. Any adjustments to reduce the carrying values are reflected as additional amortization. Amortization expense is recorded under the caption "Publications, courses and services" in the statement of operations and changes in fund balances.

(f) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

(g) Gifts in kind:

Gifts in kind are recorded at the estimated fair market value on date of receipt.

(h) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, deferred development costs, inventories and future income taxes. Actual results could differ from those estimates.

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Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(i) Comparative figures:

Certain comparative figures have been reclassified to conform with the current year financial statement presentation.

2. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 687,812	\$ 345,435	\$ 342,377	\$ 144,801
Leasehold improvements	1,395,878	728,802	667,076	210,297
Art works and other	19,680	-	19,680	18,375
Vehicle	27,381	21,902	5,479	10,953
	\$ 2,130,751	\$ 1,096,139	\$ 1,034,612	\$ 384,426

The capital assets as shown above do not include certain equipment funded by the Ministry of Health. Such equipment is recorded by the Vancouver Island Health Authority but is held for the exclusive use of the Society.

3. Deferred development costs:

	2007	2006
Opening deferred development costs	\$ 191,209	\$ 87,922
Deferred development costs incurred	10,370	141,317
Amortization	(64,790)	(38,030)
Closing deferred development costs	\$ 136,789	\$ 191,209

4. Life insurance policies:

The Society is beneficiary to certain life insurance policies having a future payout value of \$396,279 (2006 - \$424,796). The proceeds from these policies will be recorded as donations in the year of receipt.

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Notes to Financial Statements

Year ended March 31, 2007

5. Related organization:

Net donations from (to) the Victoria Hospice and Palliative Care Foundation (the "Foundation"):

	2007	2006
Operating grant	\$ 2,045,876	\$ 1,996,204
Capital grant	893,675	141,781
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	\$ 2,939,551	\$ 2,137,985

The Society has an economic interest in the Foundation. The net assets and results of operations of the Foundation have not been included in these financial statements. The Foundation is a separate tax exempt society formed to raise funds for furthering the interests of the Society and to provide operating and capital grant funding to the Society. The Society provides certain administrative services without charge to the Foundation.

As at March 31, 2007, the Foundation's net assets were \$3,299,207 (2006 - \$3,830,836).

6. Commitments:

The Society is committed to minimum annual lease payments under various operating leases for office and computer equipment as follows:

2008	\$	75,046
2009		67,317
2010		37,559
2011		12,735
2012		4,236
Thereafter		655
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	\$	197,548

During 2007, the Society incurred basic lease expense of \$56,594 (2006 - \$42,387).

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Notes to Financial Statements

Year ended March 31, 2007

7. Vancouver Island Health Authority:

The Society receives certain services including utilities, laundry services and housekeeping from the Vancouver Island Health Authority (the "Authority") for no charge. The value is not readily ascertainable and has therefore not been reflected in the financial statements.

The Society leases its premises from the Authority at a cost of \$1 per year under a renewable five year lease which expires on March 31, 2010. The Authority also provides approximately 55% of the operating funding for the Society. Under the terms of the Authority's union contracts, employees with 10 years of service and having reached a certain age are entitled to receive special payments upon retirement. These payments are based upon accumulated sick leave credits and entitlements for each year of service and are the responsibility of the Authority. The Society has responsibility for any and all extra costs and liabilities associated with Society initiated terminations.

8. Financial instruments:

The carrying values of cash, accounts receivable, payable to Vancouver Island Health Authority, and holiday pay and accounts payable approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of the receivable from Victoria Hospice and Palliative Care Foundation has not been determined due to the related party nature of the underlying transactions.

It is management's opinion that the Society is not exposed to significant interest, currency or credit risk arising from its financial instruments.