

Financial Statements of

**VICTORIA HOSPICE AND
PALLIATIVE CARE FOUNDATION**

Year ended March 31, 2008



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AUDITORS' REPORT TO THE MEMBERS OF VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

We have audited the statement of financial position of Victoria Hospice and Palliative Care Foundation as at March 31, 2008 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 Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Foundation derives part of its revenue from fund raising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, expenses, excess (deficiency) of revenue over expenditure and fund balances.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue from fund raising referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2008 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.

Chartered Accountants

Victoria, Canada

June 6, 2008

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

| | Operating Fund | Education Endowment Fund | General Endowment Fund | Total 2008 | Total 2007 |
|---|-------------------|--------------------------------|------------------------------|---------------|---------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 1,170,378 | - | - | 1,170,378 | 220,623 |
| Accounts receivable | 20,211 | - | - | 20,211 | 12,586 |
| Prepaid expenses | 22,938 | - | - | 22,938 | 14,326 |
| Interfund balances | (139,141) | 3,954 | 135,187 | - | - |
| | 1,074,386 | 3,954 | 135,187 | 1,213,527 | 247,535 |
| Marketable securities (2008 cost - \$2,715,892; 2007 cost - \$3,507,392) | 1,314,403 | 282,655 | 1,321,799 | 2,918,857 | 3,981,743 |
| Long-term receivable (note 2) | 193,964 | - | - | 193,964 | 193,964 |
| Capital assets (note 3) | 17,482 | - | - | 17,482 | 23,677 |
| | \$ 2,600,235 | 286,609 | 1,456,986 | 4,343,830 | 4,446,919 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 894 | - | - | 894 | 757 |
| Payable to Victoria Hospice Society (note 4) | 684,590 | - | - | 684,590 | 799,989 |
| | 685,484 | - | - | 685,484 | 800,746 |
| Long-term liabilities: | | | | | |
| Deferred contributions from irrevocable trusts | 193,964 | - | - | 193,964 | 193,964 |
| Deferred revenue (note 5) | 156,866 | - | - | 156,866 | 153,002 |
| | 350,830 | - | - | 350,830 | 346,966 |
| Fund Balances | | | | | |
| Unrestricted | 1,546,439 | - | - | 1,546,439 | 1,478,511 |
| Invested in capital assets | 17,482 | - | - | 17,482 | 23,677 |
| Externally restricted endowments - donor contributions | - | 229,295 | 978,532 | 1,207,827 | 1,156,727 |
| Internally restricted - retained investment earnings | - | 57,314 | 478,454 | 535,768 | 640,292 |
| | 1,563,921 | 286,609 | 1,456,986 | 3,307,516 | 3,299,207 |
| Commitments (note 7) | | | | | |
| | \$ 2,600,235 | 286,609 | 1,456,986 | 4,343,830 | 4,446,919 |

See accompanying notes to financial statements.

Approved on Behalf of the Board:

_____ Director

_____ Director

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

| | Operating Fund | Restricted funds | | Total 2008 | Total 2007 |
|---|---------------------|--------------------------|------------------------|------------------|------------------|
| | | Education Endowment Fund | General Endowment Fund | | |
| Revenue: | | | | | |
| Fund raising | \$ 2,973,244 | - | 51,100 | 3,024,344 | 2,583,094 |
| Interest and dividends: | | | | | |
| General Endowment Fund | 47,969 | - | - | 47,969 | 40,544 |
| Operating Fund | 75,063 | - | - | 75,063 | 79,922 |
| Capital gains (loss): | | | | | |
| General Endowment Fund | (86,105) | - | - | (86,105) | 94,291 |
| Education Endowment Fund | (18,419) | - | - | (18,419) | 20,869 |
| Operating Fund | (100,990) | - | - | (100,990) | 155,151 |
| Thrift boutique | 239,527 | - | - | 239,527 | 198,072 |
| Other | 9,519 | - | - | 9,519 | 10,793 |
| | 3,139,808 | - | 51,100 | 3,190,908 | 3,182,736 |
| Expenditure: | | | | | |
| Development and planned giving | 603,400 | - | - | 603,400 | 589,698 |
| Thrift boutique | 155,161 | - | - | 155,161 | 130,734 |
| Investment management fees | 36,365 | - | - | 36,365 | 33,180 |
| Amortization | 6,195 | - | - | 6,195 | 5,097 |
| Administration | 32,736 | - | - | 32,736 | 16,105 |
| Net donations to Victoria Hospice Society (note 4): | | | | | |
| Operating grant | 2,336,925 | - | - | 2,336,925 | 2,045,876 |
| Capital grant | 11,817 | - | - | 11,817 | 893,675 |
| | 3,182,599 | - | - | 3,182,599 | 3,714,365 |
| Excess (deficiency) of revenue over expenditure | | | | | |
| | (42,791) | - | 51,100 | 8,309 | (531,629) |
| Transfer of capital gains from Operating Fund to Endowment Funds | | | | | |
| | 104,524 | (18,419) | (86,105) | - | - |
| Fund balances, beginning of year | 1,502,188 | 305,028 | 1,491,991 | 3,299,207 | 3,830,836 |
| Fund balances, end of year | \$ 1,563,921 | 286,609 | 1,456,986 | 3,307,516 | 3,299,207 |

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

| | 2008 | 2007 |
|---|---------------------|-------------------|
| Operating activities: | | |
| Excess (deficiency) of revenue over expenditure: | | |
| Operating Fund | \$ (42,791) | \$ (615,962) |
| Education Endowment Fund | - | - |
| General Endowment Fund | 51,100 | 84,333 |
| | <u>8,309</u> | <u>(531,629)</u> |
| Items not involving cash: | | |
| Amortization | 6,195 | 5,097 |
| Decrease (increase) in unrealized gain on marketable securities | 271,386 | (3,353) |
| Changes in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | (7,625) | 40,345 |
| Decrease (increase) in prepaids | (8,612) | 8,831 |
| Increase (decrease) in accounts payable | 137 | (3,200) |
| Increase (decrease) in payable to Victoria Hospice Society | (115,399) | 245,746 |
| Increase (decrease) in deferred revenue | 3,864 | (43,533) |
| | <u>158,255</u> | <u>(281,696)</u> |
| Investing activities: | | |
| Purchase of capital assets | - | (10,976) |
| Decrease (increase) in marketable securities | 791,500 | (317,190) |
| | <u>791,500</u> | <u>(328,166)</u> |
| Increase (decrease) in cash | 949,755 | (609,862) |
| Cash, beginning of year | 220,623 | 830,485 |
| Cash, end of year | <u>\$ 1,170,378</u> | <u>\$ 220,623</u> |

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2008

The Victoria Hospice and Palliative Care Foundation (the "Foundation") was incorporated under the Society Act (British Columbia) on September 10, 1997 and is a public foundation under the Income Tax Act. The Foundation's principal activity is to raise funds to provide palliative care, counseling, bereavement support, research and education.

The Foundation received initial funding by way of a specified donation from the Victoria Hospice Society (the "Society") on February 7, 1999.

1. Significant accounting policies:

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

(a) Fund accounting:

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

The Foundation receives support from various donors and allows for restrictions on the use of the donations. 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.

Operating Fund:

The Operating Fund includes: (i) operating revenue and expenditure of the Foundation, (ii) donations received for which there are no restrictions attached by the donor and (iii) unrestricted earnings on Foundation investments. In addition, externally restricted contributions, other than endowment contributions, are deferred and recognized as revenue in the same period in which the related expenses are incurred.

Restricted Education Endowment Fund:

The Education Endowment Fund includes: (i) externally restricted donations totaling \$229,295 (2007 - \$229,295) which the donor specifies that the principal is to be held intact in perpetuity and has restricted their use to educational purposes, and (ii) internally restricted earnings totaling \$57,314 (2007 - \$75,733) on related Foundation investments.

Restricted General Endowment Fund:

The General Endowment Fund includes: (i) externally restricted donations totaling \$978,532 (2007 - \$927,432) for which the donor specifies that the principal is to be held intact in perpetuity, and (ii) internally restricted earnings totaling \$478,454 (2007 - \$564,559) on related Foundation investments.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Marketable securities:

Marketable securities consist of pooled fund investments, are classified as held-for-trading and are recorded at market value. Market value is based on the unit values supplied by the pooled fund administrator, which represent the Foundation's proportionate share of underlying net assets at fair values determined using closing market prices. Amounts invested by the Foundation in pooled funds cannot be retracted in the first three years, except once on the first anniversary, subject to a fee of 1% of the amount retracted. There are no retraction restrictions subsequent to the initial three year period.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization of leasehold improvements is provided using the straight-line basis over the lease term. Amortization of office equipment is calculated on a straight-line basis over a five year period.

(d) Deferred revenue:

Deferred revenue includes the present value of the Foundation's interest as capital beneficiary in charitable remainder trusts. Revenue from a charitable remainder trust is recognized upon distribution of the trust assets to the Foundation.

(e) Gifts in kind:

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

(f) Investment income:

The Foundation's investment guidelines require that realized and unrealized capital gains and losses remain in the fund where the original contribution was recorded.

Interest and dividend income earned in the General Endowment Fund totaling \$47,969 (2007 - \$40,544) is considered unrestricted and the income is allocated to the Operating Fund with no restriction placed on its expenditure.

Interest and dividend income earned in the Education Endowment Fund is considered restricted and the income is allocated to the Operating Fund as deferred revenue with educational activity restrictions placed on its expenditure.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(g) 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.

(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 expenditure during the period.

Significant items subject to such estimates and assumptions include the carrying amount of capital assets and long-term receivable. Actual results could differ from those estimates.

(i) Comparative figures:

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

(j) Future accounting changes:

The Canadian Institute of Chartered Accountants ("CICA") has issued two new accounting standards that are effective for the Foundation's 2009 year end – Handbook Section 3862, *Financial Instruments – Disclosures* and Handbook Section 3863, *Financial Instruments – Presentation*.

Sections 3862 and 3863 replace the current Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*. The new sections revise and enhance the current disclosure requirements and require disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The initial adoption of these standards is not expected to have a material impact on the Foundation's financial statements, except for additional disclosure.

2. Long-term receivable:

Long-term receivable includes \$193,964 (2007 - \$193,964) which represents the present value of the Foundation's interest as capital beneficiary of charitable remainder trusts.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2008

3. Capital assets:

| 2008 | Cost | Accumulated amortization | Net book value |
|------------------------|------------------|-----------------------------|-------------------|
| Leasehold improvements | \$ 13,948 | \$ 7,114 | \$ 6,834 |
| Equipment | 17,025 | 6,377 | 10,648 |
| Total | \$ 30,973 | \$ 13,491 | \$ 17,482 |

| 2007 | Cost | Accumulated amortization | Net book value |
|------------------------|------------------|-----------------------------|-------------------|
| Leasehold improvements | \$ 13,948 | \$ 4,324 | \$ 9,624 |
| Equipment | 17,025 | 2,972 | 14,053 |
| Total | \$ 30,973 | \$ 7,296 | \$ 23,677 |

4. Related organization:

Net donations to the Society:

| | 2008 | 2007 |
|-----------------|---------------------|---------------------|
| Operating grant | \$ 2,336,925 | \$ 2,045,876 |
| Capital grant | 11,817 | 893,675 |
| | \$ 2,348,742 | \$ 2,939,551 |

The Foundation has an economic interest in the Society. The net assets and results of operations of the Society have not been included in these financial statements. The Society is a separate tax exempt organization, which provides palliative care, counseling, bereavement support, research and education. The Foundation receives certain services provided by the Vancouver Island Health Authority. The Society provides certain administrative services without charge to the Foundation.

During the year ended March 31, 2008, the Society's total net assets were \$1,064,002 (2007 - \$1,172,552).

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2008

5. Deferred revenue:

During the year ended March 31, 2008, the Foundation received restricted contributions totaling \$71,005 (2007 - \$251,061). Interest and dividend income of \$9,519 (2007 - \$9,146) was allocated to deferred revenue in the Operating Fund from interest and dividends earned in the Education Endowment Fund. The total amount disbursed during the year ended March 31, 2008, according to restrictions placed by donors, was \$76,660 (2007 - \$303,728).

6. Financial instruments:

(a) Fair value:

The fair value of the Foundation's marketable securities is reported on the statement of financial position. The carrying values of cash, accounts receivable, and accounts payable approximate their fair value due to the relatively short-term nature of these items or because they are receivable or payable on demand.

The fair value of the payable to the Society has not been determined due to the related party nature of the underlying transactions.

(b) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Foundation's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances, all changes in market conditions will directly result in an increase or decrease in net assets. Market price risk is managed by the manager of the marketable securities through construction of a diversified portfolio of instruments traded on various markets and across various industries.

7. Commitments:

The Foundation is committed to minimum annual lease payments under leases for retail and office space as follows:

| | | |
|------|----|---------|
| 2009 | \$ | 60,699 |
| 2010 | | 60,699 |
| 2011 | | 21,747 |
| 2012 | | 3,625 |
| | \$ | 146,770 |

During 2008 the Foundation incurred basic lease expense of \$60,699 (2007 - \$57,075).