

Financial Statements of

VICTORIA HOSPICE SOCIETY

Year ended March 31, 2008



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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, 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 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, 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, except for the change in accounting for financial instruments as explained in note 1(b) to the financial statements, on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style.

Chartered Accountants

Victoria, Canada

June 6, 2008

VICTORIA HOSPICE SOCIETY

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	Operating Fund	Capital Fund	Total 2008	Total 2007
Assets				
Current assets:				
Cash	\$ 267,114	-	267,114	91,151
Accounts receivable	74,594	-	74,594	88,345
Inventories	75,299	-	75,299	35,221
Receivable from Victoria Hospice and Palliative Care Foundation	684,590	-	684,590	799,989
	1,101,597	-	1,101,597	1,014,706
Cash surrender value of life insurance policies (note 2)	37,763	-	37,763	-
Capital assets (note 3)	-	874,747	874,747	1,034,612
Deferred development costs (note 4)	91,107	-	91,107	136,789
	\$ 1,230,467	874,747	2,105,214	2,186,107
Liabilities				
Payable to Vancouver Island Health Authority	\$ 592,344	-	592,344	675,385
Holiday pay and accounts payable	415,759	-	415,759	334,670
Deferred revenue	33,109	-	33,109	3,500
	1,041,212	-	1,041,212	1,013,555
Net Assets				
Invested in capital assets	-	874,747	874,747	1,034,612
Unrestricted	189,255	-	189,255	137,940
	189,255	874,747	1,064,002	1,172,552
Commitments (note 6)				
	\$ 1,230,467	874,747	2,105,214	2,186,107

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, 2008, with comparative figures for 2007

	Operating Fund	Capital Fund	Total 2008	Total 2007
Revenue:				
Vancouver Island Health Authority:				
Operating grant and contract funding	\$ 2,821,091	-	2,821,091	2,692,748
M.S.P. recoveries	484,450	-	484,450	484,885
	3,305,541	-	3,305,541	3,177,633
Public support:				
Donations and fund raising	134,167	-	134,167	141,026
Publications, courses and services	392,232	-	392,232	392,284
Increase in cash surrender value of life insurance policies	5,281	-	5,281	-
Other	38,724	-	38,724	46,316
	570,404	-	570,404	579,626
Net donations from Victoria Hospice and Palliative Care Foundation (note 5)	2,336,925	11,817	2,348,742	2,939,551
Total revenue	6,212,870	11,817	6,224,687	6,696,810
Expenses:				
Amortization of capital assets	-	177,951	177,951	291,809
Bereavement	270,900	-	270,900	234,785
Communications	88,314	-	88,314	68,691
Corporate and administration	480,203	-	480,203	513,434
Counseling and spiritual	680,266	-	680,266	648,790
Learning centre division	191,650	-	191,650	207,763
Medical	653,245	-	653,245	553,501
Nursing: acute care	1,435,015	-	1,435,015	1,341,519
Nursing: community care	178,968	-	178,968	167,046
Nursing: extended care	972,022	-	972,022	909,134
Palliative response team	540,813	-	540,813	536,793
Projects and committees	37,825	-	37,825	143,563
Publications, courses and services	289,080	-	289,080	305,877
Research and development	162,580	-	162,580	-
Staff development and education	36,052	-	36,052	37,619
Volunteers	170,835	-	170,835	137,953
	6,187,768	177,951	6,365,719	6,098,277
Contributions to other organizations	-	-	-	11,245
Excess (deficiency) of revenue over expenses	25,102	(166,134)	(141,032)	587,288
Fund balances, beginning of year	137,940	1,034,612	1,172,552	585,264
Change in accounting policy (note 1(b))	32,482	-	32,482	-
Interfund transfers for capital purchases	(6,269)	6,269	-	-
Fund balances, end of year	\$ 189,255	874,747	1,064,002	1,172,552

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Statement of Cash Flows

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

	2008	2007
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 25,102	\$ (14,578)
Capital Fund	(166,134)	601,866
	<u>(141,032)</u>	<u>587,288</u>
Items not involving cash:		
Amortization of capital assets	177,951	291,809
Amortization of deferred development costs	57,499	64,790
Increase in cash surrender value of insurance policies	(5,281)	-
Changes in non-cash operating working capital (note 9)	<u>116,729</u>	<u>(8,072)</u>
	205,866	935,815
Investing:		
Purchase of capital assets	(18,086)	(941,995)
Deferred development costs incurred	<u>(11,817)</u>	<u>(10,370)</u>
	(29,903)	(952,365)
Increase (decrease) in cash	175,963	(16,550)
Cash, beginning of year	91,151	107,701
Cash, end of year	<u>\$ 267,114</u>	<u>\$ 91,151</u>

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2008

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) Adoption of new accounting standards:

Effective April 1, 2007, the Society adopted the CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and 3861 "*Financial Instruments – Disclosure and Presentation*". Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Adoption of new accounting standards (continued):

The Society has classified its financial instruments into the five categories as follows:

Cash and cash equivalents	held-for-trading
Accounts receivable	loans and receivables
Receivable from Victoria Hospice and Palliative Care Foundation	loans and receivables
Cash surrender value of life insurance policies	held-for-trading
Payable to Vancouver Island Health Authority	other financial liability
Holiday pay and accounts payable	other financial liability

All financial instruments, including derivatives, are included on the balance sheet and are initially measured at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in the Fund balance until the asset is removed from the balance sheet. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost.

The impact of the adoption of these standards is to increase the unrestricted fund balances at April 1, 2007 by \$32,482 which represents the cash surrender value of life insurance policies at that date.

(c) Inventories:

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

(d) Medical supplies:

Medical supplies are expensed as purchased.

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Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) 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
Vehicle	5

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

(f) 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.

(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) Gifts in kind:

Gifts in kind which would otherwise be paid for by the Society are recorded at the estimated fair market value on date of receipt.

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Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(i) 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 and inventories. Actual results could differ from those estimates.

(j) Future accounting changes:

The Canadian Institute of Chartered Accountants ("CICA") has issued two new accounting standards that are effective for the Society's 2009 year end – 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 Society's financial statements, except for additional disclosure.

2. Life insurance policies:

	Cash surrender value	Future payout value
Balance, April 1, 2007	\$ 32,482	\$ 497,533
Net increase (decrease)	5,281	(2,297)
Balance, March 31, 2008	\$ 37,763	\$ 495,236

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Notes to Financial Statements

Year ended March 31, 2008

3. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 705,079	\$ 435,242	\$ 269,837	\$ 342,377
Leasehold improvements	1,396,699	811,469	585,230	667,076
Art works and other	19,680	-	19,680	19,680
Vehicle	27,381	27,381	-	5,479
	<u>\$ 2,148,839</u>	<u>\$ 1,274,092</u>	<u>\$ 874,747</u>	<u>\$ 1,034,612</u>

4. Deferred development costs:

	2008	2007
Opening deferred development costs	\$ 136,789	\$ 191,209
Deferred development costs incurred	11,817	10,370
Amortization	(57,499)	(64,790)
Closing deferred development costs	<u>\$ 91,107</u>	<u>\$ 136,789</u>

5. Related organization:

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

	2008	2007
Operating grant	\$ 2,336,925	\$ 2,045,876
Capital grant	11,817	893,675
	<u>\$ 2,348,742</u>	<u>\$ 2,939,551</u>

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, 2008, the Foundation's net assets were \$3,307,516 (2007 - \$3,299,207).

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Notes to Financial Statements

Year ended March 31, 2008

6. Commitments:

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

2009	\$	69,935
2010		39,947
2011		14,523
2012		4,532
2013		648
	\$	129,585

During 2008, the Society incurred basic lease expense of \$61,471 (2007 - \$56,594).

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 lease which expires on March 31, 2015. 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, cash surrender value of life insurance policies, payable to the 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 the 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.

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Notes to Financial Statements

Year ended March 31, 2008

9. Supplemental cash flow information:

	2008	2007
Changes in non-cash operating working capital:		
Accounts receivable	\$ 13,751	\$ (22,803)
Prepaid expenses	-	2,368
Inventory	(40,078)	(8,349)
Receivable from Foundation	115,399	(245,746)
Payable to Vancouver Island Health Authority	(83,041)	195,223
Holiday pay and accounts payable	81,089	76,735
Deferred revenue	29,609	(5,500)
	<hr/> \$ 116,729	<hr/> \$ (8,072)