

Financial Statements of

**VICTORIA HOSPICE AND  
PALLIATIVE CARE FOUNDATION**

Year ended March 31, 2009

DRAFT

## **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, 2009 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, 2009 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 19, 2009

# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	Operating Fund	Education Endowment Fund	General Endowment Fund	Total 2009	Total 2008
<b>Assets</b>					
Current assets:					
Cash	\$ 592,954	-	-	592,954	1,170,378
Accounts receivable	299,203	-	-	299,203	20,211
Prepaid expenses	11,175	-	-	11,175	22,938
Interfund balances	(5,250)	-	5,250	-	-
	898,082	-	5,250	903,332	1,213,527
Marketable securities (2009 cost - \$2,715,393; 2008 cost - \$2,715,393)	934,016	222,865	1,144,158	2,301,039	2,918,857
Long-term receivable (note 2)	178,934	-	-	178,934	193,964
Capital assets (note 3)	12,553	-	-	12,553	17,482
	\$ 2,023,585	229,865	1,149,408	3,395,858	4,343,830
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 5,695	-	-	5,695	894
Payable to Victoria Hospice Society (note 4)	695,339	-	-	695,339	684,590
	701,034	-	-	701,034	685,484
Long-term liabilities:					
Deferred contributions from irrevocable trusts	178,934	-	-	178,934	193,964
Deferred revenue (note 5)	101,571	-	-	101,571	156,866
	280,505	-	-	280,505	350,830
<b>Fund Balances</b>					
Unrestricted	1,029,493	-	-	1,029,493	1,546,439
Invested in capital assets	12,553	-	-	12,553	17,482
Externally restricted endowments - donor contributions	-	229,295	1,083,782	1,313,077	1,207,827
Internally restricted - retained investment earnings	-	(6,430)	65,626	59,196	535,768
	1,042,046	222,865	1,149,408	2,414,319	3,307,516
Commitments (note 7)					
	\$ 2,023,585	222,865	1,149,408	3,395,858	4,343,830

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, 2009, with comparative figures for 2008

	Operating Fund	Restricted funds		Total 2009	Total 2008
		Education Endowment Fund	General Endowment Fund		
<b>Revenue:</b>					
Fund raising	\$ 2,506,890	-	55,250	2,562,140	3,024,344
Interest and dividends:					
General Endowment Fund	35,630	-	-	35,630	47,969
Operating Fund	48,457	-	-	48,457	75,063
Capital gains (loss):					
General Endowment Fund	(265,317)	-	-	(265,317)	(86,105)
Education Endowment Fund	(57,169)	-	-	(57,169)	(18,419)
Operating Fund	(273,517)	-	-	(273,517)	(100,990)
Thrift boutique	250,227	-	-	250,227	239,527
Other	7,483	-	-	7,483	9,519
	2,252,684	-	55,250	2,307,934	3,190,908
<b>Expenditure:</b>					
Development and planned giving	660,298	-	-	660,298	603,400
Thrift boutique	155,617	-	-	155,617	155,161
Investment management fees	27,289	-	-	27,289	36,365
Amortization	6,335	-	-	6,335	6,195
Administration	27,316	-	-	27,316	32,736
Net donations to Victoria Hospice Society (note 4):					
Operating grant	2,324,276	-	-	2,324,276	2,336,925
Capital grant	-	-	-	-	11,817
	3,201,131	-	-	3,201,131	3,182,599
<b>Excess (deficiency) of revenue over expenditure</b>					
	(948,447)	-	55,250	(893,197)	8,309
<b>Transfer of capital gains (losses) and investment management fees from Operating Fund to Endowment Funds</b>					
	476,572	(63,744)	(412,828)	-	-
<b>Transfer from Operating Fund to General Endowment Fund</b>					
	(50,000)	-	50,000	-	-
Fund balances, beginning of year	1,563,921	286,609	1,456,986	3,307,516	3,299,207
Fund balances, end of year	\$ 1,042,046	222,865	1,149,408	2,414,319	3,307,516

See accompanying notes to financial statements.

# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Operating activities:		
Deficiency of revenue over expenditure:		
Operating Fund	\$ (948,447)	\$ (42,791)
Education Endowment Fund	-	-
General Endowment Fund	55,250	51,100
	(893,197)	8,309
Items not involving cash:		
Amortization	6,335	6,195
Increase in unrealized loss on marketable securities	617,818	271,386
Changes in non-cash operating working capital:		
Increase in accounts receivable	(278,992)	(7,625)
Decrease (increase) in prepaids	11,763	(8,612)
Increase in accounts payable	4,801	137
Increase (decrease) in payable to Victoria Hospice Society	10,749	(115,399)
Increase (decrease) in deferred revenue	(55,295)	3,864
	(576,018)	158,255
Investing activities:		
Purchase of capital assets	(1,406)	-
Decrease in marketable securities	-	791,500
	(1,406)	791,500
Increase (decrease) in cash	(577,424)	949,755
Cash, beginning of year	1,170,378	220,623
Cash, end of year	\$ 592,954	\$ 1,170,378

See accompanying notes to financial statements.

# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2009

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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 (2008 - \$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 losses totaling \$6,430 (2008 internally restricted earnings - \$57,314) on related Foundation investments.

### **Restricted General Endowment Fund:**

The General Endowment Fund includes: (i) externally restricted donations totaling \$1,083,782 (2008 - \$978,532) for which the donor specifies that the principal is to be held intact in perpetuity, and (ii) internally restricted earnings totaling \$65,626 (2008 - \$478,454) on related Foundation investments.

Included in the restricted General Endowment fund are externally restricted donations of \$50,000 from Butchart Gardens.

# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2009

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## 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 with changes in value recorded in the statement of operations. 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 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 \$35,630 (2008 - \$47,969) 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, 2009

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## 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) Use of estimates:

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) Capital disclosures:

Effective April 1, 2008, the Foundation adopted Handbook Section 1535, Capital Disclosures. Under this new standard, the Foundation is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Foundation's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Foundation regards as capital, whether the Foundation has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements.

The Foundation defines capital to be net assets. The Foundation is subject to certain donor restrictions on capital and has complied with all such provisions. The Foundation's objective when managing capital is to fund operations and capital asset additions with a strategy of monitoring operating performance and managing donations and expenditures within the parameters of existing capital to maintain the long term financial viability of the Foundation.

### (j) Future accounting changes:

Amendments have been made to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, and EIC-123, "Reporting Revenue Gross as a Principal Versus Net as an Agent," to clarify that revenues and expenses must be recognized on a gross basis when a not for profit organization ("NPO") is acting as a principal in the subject transactions and may only be reported on a net basis when acting as an agent.



# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2009

## 1. Significant accounting policies (continued):

### (j) Future accounting changes (continued):

Section 4400 has been amended to clarify the different treatment accorded internal and external restrictions on net assets. In addition, NPOs are no longer required to report net assets invested in capital assets as a separate component of net assets. The AcSB concluded that an amount shown as net assets invested in capital assets is consistent with, and should be treated in the same manner as other net asset amounts internally restricted by NPOs and reserves of profit-oriented enterprises.

Other changes add improved guidance related to the application of the GAAP hierarchy and capital assets standards, and require NPOs to apply the same standards as profit-oriented enterprises with respect to interim financial statements and statements of cash flows.

Amendments have been made to Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations that require disclosure of allocated fundraising and general support expenses by not-for-profit organizations.

The amendments are effective for the fiscal year beginning April 1, 2009.

## 2. Long-term receivable:

Long-term receivable includes \$178,934 (2008 - \$193,964) which represents the present value of the Foundation's interest as capital beneficiary of charitable remainder trusts.

## 3. Capital assets:

2009	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 13,948	\$ 9,904	\$ 4,044
Equipment	18,431	9,922	8,509
Total	\$ 32,379	\$ 19,826	\$ 12,553

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

# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2009

## 4. Related organization:

Net donations to the Society:

	2009	2008
Operating grant	\$ 2,324,276	\$ 2,336,925
Capital grant	-	11,817
	\$ 2,324,276	\$ 2,348,742

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, 2009, the Society's total net assets were \$891,654 (2008 - \$1,064,002).

## 5. Deferred revenue:

During the year ended March 31, 2009, the Foundation received restricted contributions totaling \$110,255 (2008 - \$71,005). Interest and dividend income of \$7,619 (2008 - \$9,519) was allocated to deferred revenue in the Operating Fund from interest and dividends earned in the Education Endowment Fund. The total amount included in fundraising and disbursed during the year ended March 31, 2009, according to restrictions placed by donors, was \$188,246 (2008 - \$76,660).

## 6. Financial instruments:

(a) Fair value:

The Foundation's marketable securities are reported at fair value 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.

# VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2009

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## 6. Financial instruments (continued):

### (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:

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2010	\$	60,699
2011		21,747
2012		3,625
	\$	86,071

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During 2009 the Foundation incurred basic lease expense of \$60,699 (2008 - \$60,699).