

Financial Statements of

**VICTORIA HOSPICE SOCIETY**

Year ended March 31, 2009

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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, 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 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, 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 SOCIETY

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	Operating Fund	Capital Fund	Total 2009	Total 2008
<b>Assets</b>				
Current assets:				
Cash	\$ 113,137	-	113,137	267,114
Accounts receivable	96,123	-	96,123	74,594
Prepaid expenses	3,125	-	3,125	-
Inventories	70,790	-	70,790	75,299
Receivable from Victoria Hospice and Palliative Care Foundation	695,339	-	695,339	684,590
	978,514	-	978,514	1,101,597
Cash surrender value of life insurance policies (note 2)	38,919	-	38,919	37,763
Capital assets (note 3)	-	732,515	732,515	874,747
Deferred development costs (note 4)	35,900	-	35,900	91,107
	\$ 1,053,333	732,515	1,785,848	2,105,214
<b>Liabilities</b>				
Payable to Vancouver Island Health Authority	\$ 408,921	-	408,921	592,344
Holiday pay and accounts payable	388,883	-	388,883	415,759
Deferred revenue	96,390	-	96,390	33,109
	894,194	-	894,194	1,041,212
<b>Net Assets</b>				
Invested in capital assets	-	732,515	732,515	874,747
Unrestricted	159,139	-	159,139	189,255
	159,139	732,515	891,654	1,064,002
Commitments (note 6)				
	\$ 1,053,333	732,515	1,785,848	2,105,214

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, 2009, with comparative figures for 2008

	Operating Fund	Capital Fund	Total 2009	Total 2008
<b>Revenue:</b>				
Vancouver Island Health Authority:				
Operating grant and contract funding	\$ 2,931,727	-	2,931,727	2,821,091
M.S.P. recoveries	517,636	-	517,636	484,450
	3,449,363	-	3,449,363	3,305,541
Public support:				
Donations and fund raising	147,833	-	147,833	134,167
Publications, courses and services	421,743	-	421,743	392,232
Increase in cash surrender value of life insurance policies	1,156	-	1,156	5,281
Other	46,590	-	46,590	38,724
	617,322	-	617,322	570,404
Net donations from Victoria Hospice and Palliative Care Foundation (note 5)	2,324,276	-	2,324,276	2,348,742
<b>Total revenue</b>	<b>6,390,961</b>	<b>-</b>	<b>6,390,961</b>	<b>6,224,687</b>
<b>Expenses:</b>				
Amortization of capital assets	-	174,022	174,022	177,951
Bereavement	292,747	-	292,747	270,900
Communications	43,085	-	43,085	88,314
Corporate and administration	534,513	-	534,513	480,203
Counseling and spiritual	692,581	-	692,581	680,266
Learning centre division	183,013	-	183,013	191,650
Medical	673,592	-	673,592	653,245
Nursing: acute care	1,393,566	-	1,393,566	1,435,015
Nursing: community care	182,658	-	182,658	178,968
Nursing: extended care	1,041,210	-	1,041,210	972,022
Palliative response team	544,126	-	544,126	540,813
Projects and committees	102,667	-	102,667	37,825
Publications, courses and services	297,372	-	297,372	289,080
Research and development	160,767	-	160,767	162,580
Staff development and education	41,251	-	41,251	36,052
Volunteers	206,139	-	206,139	170,835
	6,389,287	174,022	6,563,309	6,365,719
Excess (deficiency) of revenue over expenses	1,674	(174,022)	(172,348)	(141,032)
Fund balances, beginning of year	189,255	874,747	1,064,002	1,205,034
Interfund transfers for capital purchases	(31,790)	31,790	-	-
<b>Fund balances, end of year</b>	<b>\$ 159,139</b>	<b>732,515</b>	<b>891,654</b>	<b>1,064,002</b>

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

## Statement of Cash Flows

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

	2009	2008
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 1,674	\$ 25,102
Capital Fund	(174,022)	(166,134)
	(172,348)	(141,032)
Items not involving cash:		
Amortization of capital assets	174,022	177,951
Amortization of deferred development costs	59,791	57,499
Increase in cash surrender value of insurance policies	(1,156)	(5,281)
Changes in non-cash operating working capital (note 9)	(177,912)	116,729
	(117,603)	205,866
Investing:		
Purchase of capital assets	(31,790)	(18,086)
Deferred development costs incurred	(4,584)	(11,817)
	(36,374)	(29,903)
Increase (decrease) in cash	(153,977)	175,963
Cash, beginning of year	267,114	91,151
Cash, end of year	\$ 113,137	\$ 267,114

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

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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) Financial instruments:

The Society has classified its financial instruments as follows:

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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

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# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (b) Financial instruments (continued):

All financial instruments 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 Society complies with CICA Handbook 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

### (c) Inventories:

Effective April 1, 2008, the Society adopted Handbook Section 3031, "Inventories" which replaced Section 3030, "Inventories". The new standard replaces the previous inventory standard and requires inventory to be measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out or weighted average cost basis. Net realizable value is determined as the selling price less costs to complete and sell.

The adoption of this new standard resulted in no impact to opening balances at April 1, 2008.

The Society's 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.

### (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 with an expected unlimited life or residual value in excess of cost are not subject to amortization.

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

(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.

(i) 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 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) Capital disclosures:

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



# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (j) Capital disclosures (continued):

The Society defines capital to be net assets. The Society is not subject to any significant external restrictions on capital. The Society's objective when managing capital is to fund operations and capital asset additions with a strategy of monitoring operating performance and managing expenditures within the parameters of existing capital to maintain the long term financial viability of the Society.

### (k) Future accounting changes:

Amendments have been made to CICA Handbook 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.

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.

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaced existing Handbook Section 3062, Goodwill and Other Intangible Assets, and Handbook Section 3450, Research and Development. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Society does not believe it will have a material impact on its financial statements.

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

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

## 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
Net increase (decrease)	1,156	(64,165)
Balance, March 31, 2009	\$ 38,919	\$ 431,071

## 3. Capital assets:

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 728,743	\$ 525,115	\$ 203,628	\$ 269,837
Leasehold improvements	1,401,323	895,616	505,707	585,230
Art works and other	23,180	-	23,180	19,680
Vehicle	27,380	27,380	-	-
	\$ 2,180,626	\$ 1,448,111	\$ 732,515	\$ 874,747

## 4. Deferred development costs:

	2009	2008
Opening deferred development costs	\$ 91,107	\$ 136,789
Deferred development costs incurred	4,584	11,817
Amortization	(59,791)	(57,499)
Closing deferred development costs	\$ 35,900	\$ 91,107

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

## 5. Related organization:

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

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

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, 2009, the Foundation's net assets were \$2,414,319 (2008 - \$3,307,516).

## 6. Commitments:

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

2010	\$	53,886
2011		28,534
2012		11,734
2013		2,122
	\$	96,276

During 2009, the Society incurred basic lease expense of \$76,413 (2008 - \$61,471).

## 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.

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2009

## 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.

## 9. Supplemental cash flow information:

	2009	2008
Changes in non-cash operating working capital:		
Accounts receivable	\$ (21,529)	\$ 13,751
Prepaid expenses	(3,125)	-
Inventory	4,509	(40,078)
Receivable from Foundation	(10,749)	115,399
Payable to Vancouver Island Health Authority	(183,423)	(83,041)
Holiday pay and accounts payable	(26,876)	81,089
Deferred revenue	63,281	29,609
	\$ (177,912)	\$ 116,729