

Financial Statements of

VICTORIA HOSPICE SOCIETY

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Hospice Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Victoria Hospice Society, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Victoria Hospice Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Victoria Hospice Society.

Therefore, we were not able to determine whether, as at March 31, 2015, and for the year then ended, any adjustments might be necessary to fundraising revenue and excess of revenue over expenses reported in the statements of operations and changes in fund balances, excess of revenue over expenses reported in the statements of cash flows and current assets and fund balances reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Victoria Hospice Society as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles applied by Victoria Hospice Society in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Chartered Accountants

July 23, 2015
Victoria, Canada

VICTORIA HOSPICE SOCIETY

Statement of Financial Position


March 31, 2015, with comparative information for 2014

	Operating Fund	Capital Fund	2015 Total	2014 Total
Assets				
Current assets:				
Cash	\$ 724,281	-	724,281	158,888
Accounts receivable	91,008	-	91,008	23,396
Prepaid expenses	12,802	-	12,802	1,000
Inventories	12,567	-	12,567	11,866
Receivable from Victoria Hospice and Palliative Care Foundation (note 4)	9,915	-	9,915	549,416
	850,573	-	850,573	744,566
Cash surrender value of life insurance policies (note 2)	108,439	-	108,439	101,170
Capital assets (note 3)	-	142,011	142,011	155,665
	\$ 959,012	142,011	1,101,023	1,001,401
Liabilities				
Payable to Vancouver Island Health Authority	\$ 236,522	-	236,522	269,310
Accounts payable and accrued liabilities	412,608	-	412,608	367,499
Deferred revenue	176,294	-	176,294	94,099
	825,424	-	825,424	730,908
Fund Balances				
Invested in capital assets	-	142,011	142,011	155,665
Unrestricted	133,588	-	133,588	114,828
Commitments (note 5)	133,588	142,011	275,599	270,493
	\$ 959,012	142,011	1,101,023	1,001,401

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, 2015, with comparative information for 2014

	Operating Fund	Capital Fund	Total 2015	Operating Fund	Capital Fund	Total 2014
Revenue:						
Vancouver Island Health Authority:						
Operating grant and contract funding	\$ 3,364,641	-	3,364,641	\$ 3,368,434	-	3,368,434
M.S.P. recoveries	582,877	-	582,877	575,570	-	575,570
	3,947,518	-	3,947,518	3,944,004	-	3,944,004
Public support:						
Gaming	51,035	-	51,035	51,778	-	51,778
Donations and fundraising	3,252,179	-	3,252,179	-	-	-
Publications, courses and services	392,038	-	392,038	333,784	-	333,784
Increase in cash surrender value of life insurance policies	7,269	-	7,269	6,403	-	6,403
Thrifty boutique	184,748	-	184,748	-	-	-
Other	63,282	-	63,282	11,974	-	11,974
	3,950,551	-	3,950,551	403,939	-	403,939
Net donations from Victoria Hospice						
Palliative Care Foundation (note 4)	78,501	87,682	166,183	2,861,069	22,383	2,883,452
Gain on sale of capital assets	1,498	-	1,498	-	-	-
Total revenue	7,978,068	87,682	8,065,750	7,209,012	22,383	7,231,395
Expenses:						
Amortization of capital assets	-	117,728	117,728	-	118,648	118,648
Bereavement	249,050	-	249,050	267,486	-	267,486
Communications	211,558	-	211,558	114,481	-	114,481
Corporate and administration	718,782	-	718,782	609,732	-	609,732
Counseling and spiritual	675,668	-	675,668	646,482	-	646,482
Education and research	306,369	-	306,369	293,053	-	293,053
Fund development and planned giving	694,425	-	694,425	-	-	-
Medical	758,295	-	758,295	755,148	-	755,148
Nursing	2,739,561	-	2,739,561	2,820,488	-	2,820,488
Palliative response team	875,367	-	875,367	931,492	-	931,492
Projects and committees	174,733	-	174,733	162,485	-	162,485
Publications, courses and services	250,316	-	250,316	228,964	-	228,964
Staff development	13,273	-	13,273	16,306	-	16,306
Thrifty boutique	141,005	-	141,005	-	-	-
Volunteers	134,514	-	134,514	137,212	-	137,212
Total expenses	7,942,916	117,728	8,060,644	6,983,329	118,648	7,101,977
Excess (deficiency) of revenue over expenses	35,152	(30,046)	5,106	225,683	(96,265)	129,418
Fund balances, beginning of year	114,828	155,665	270,493	(110,005)	251,080	141,075
Interfund transfers	(16,392)	16,392	-	(850)	850	-
Fund balances, end of year	\$ 133,588	142,011	275,599	\$ 114,828	155,665	270,493

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 35,152	\$ 225,683
Capital Fund	(30,046)	(96,265)
	5,106	129,418
Items not involving cash:		
Amortization of capital assets	117,728	118,648
Increase in cash surrender value of insurance policies	(7,269)	(6,403)
Gain on disposal of capital assets	(1,498)	-
Changes in non-cash operating working capital (note 7)	553,902	(238,795)
	667,969	2,868
Investing:		
Cash proceeds on the sale of capital assets	4,200	-
Purchase of capital assets	(106,776)	(23,233)
	(102,576)	(23,233)
Increase (decrease) in cash	565,393	(20,365)
Cash, beginning of year	158,888	179,253
Cash, end of year	\$ 724,281	\$ 158,888

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2015

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, education and research, and fundraising.

1. Significant accounting policies:

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. 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. The transactions of the Society are recorded in the following funds:

Operating Fund:

The Operating Fund is unrestricted and includes general operating revenue and expenses of the Society.

Capital Fund:

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

(b) Revenue recognition:

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 deferred and recognized as revenue in the same period in which the related expenses are incurred. Restricted contributions are recorded as revenue in the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Proceeds from life insurance policies are recorded when the funds are received or receivable by the Society. The cash surrender value of life insurance policies and changes in cash surrender value are recorded for those policies in which the Society is the beneficiary.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in the excess of revenue over expenses in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

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Notes to Financial Statements

Year ended March 31, 2015

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Inventories:

The Society's inventories consist of manuals and books held for resale measured at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is determined as the selling price less costs to complete and sell. Adjustments to record inventories at net realizable value are recorded as a write-down under the caption "Publications, courses and services" in the statement of operations and changes in fund balances.

(e) Medical supplies:

Medical supplies are expensed as purchased.

(f) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is calculated on a straight-line method over the assets' estimated useful lives as follows:

Asset	Years
Equipment	5 - 10
Leasehold improvements	lesser of initial lease term and useful life
Vehicle	5

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Notes to Financial Statements

Year ended March 31, 2015

1. Significant accounting policies (continued):

(f) Capital assets (continued):

Art works and other capital assets with an expected unlimited life or residual value in excess of cost are not subject to amortization. When a capital asset no longer contributes to the Society's ability to provide service its carrying amount is written down to its residual value. Write-downs are not reversed.

(g) Contributed services:

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.

A substantial number of volunteers contribute a significant amount of time each year to assist the Society in carrying out its activities. 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 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 expense during the period. Actual results could differ from those estimates.

(k) Comparative information:

Certain comparative information in the prior year has been reclassified to conform to the presentation adopted in the current year.

2. Life insurance policies:

	Cash surrender value	Future payout value
Balance, March 31, 2013	\$ 94,767	\$ 477,481
Net increase	6,403	930
Balance, March 31, 2014	101,170	478,411
Net increase	7,269	1,217
Balance, March 31, 2015	\$ 108,439	\$ 479,628

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Notes to Financial Statements

Year ended March 31, 2015

3. Capital assets:

March 31, 2015	Cost	Accumulated amortization	Net book value
Equipment	\$ 914,904	\$ 831,455	\$ 83,449
Leasehold improvements	1,412,512	1,412,512	-
Art works and other	25,345	-	25,345
Vehicle	36,908	3,691	33,217
	<u>\$ 2,389,669</u>	<u>\$ 2,247,658</u>	<u>\$ 142,011</u>

March 31, 2014	Cost	Accumulated amortization	Net book value
Equipment	\$ 845,037	\$ 802,965	\$ 42,072
Leasehold improvements	1,412,512	1,326,964	85,548
Art works and other	26,545	-	26,545
Vehicle	15,000	13,500	1,500
	<u>\$ 2,299,094</u>	<u>\$ 2,143,429</u>	<u>\$ 155,665</u>

4. Victoria Hospice and Palliative Care Foundation:

Directors from the Society board constitute the majority of the board members of the Foundation board. The Foundation is incorporated under the Society Act (British Columbia) and is registered as a public foundation (exempt from income taxes) under the Income Tax Act.

The purpose of the Foundation is to administer bequests and other gifts in accordance with the wishes of the donors for the benefit of the patients and facilities operated by the Society. The Society provides certain administrative services without charge to the Foundation.

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

	2015	2014
Operating grant	\$ 78,501	\$ 2,861,069
Capital grant	87,682	22,383
	<u>166,183</u>	<u>2,883,452</u>
Deferred grant	11,877	-
	<u>\$ 178,060</u>	<u>\$ 2,883,452</u>

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Notes to Financial Statements

Year ended March 31, 2015

4. Victoria Hospice and Palliative Care Foundation (continued):

The Foundation has not been consolidated in the Society's financial statements. A financial summary of the Foundation as at March 31, 2015 and for the years then ended is as follows:

Victoria Hospice and Palliative Care Foundation Financial Position

	2015	2014
Total assets	\$ 7,042,124	\$ 7,312,469
Total liabilities	(190,200)	(933,277)
Fund balances	\$ 6,851,924	\$ 6,379,192

Victoria Palliative Care Foundation Results of Operations

	2015	2014
Total revenue	\$ 724,267	\$ 5,145,224
Total expenses	(251,535)	(4,036,115)
Excess of revenue over expenses	\$ 472,732	\$ 1,109,109

5. Commitments:

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

2016	\$ 42,036
2017	29,755
2018	14,258
	\$ 86,049

During 2015, the Society made lease payments of \$83,702 (2014 - \$63,873).

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Notes to Financial Statements

Year ended March 31, 2015

6. 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 expired on March 31, 2015. The Authority also provided 49% (2014 - 64%) 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.

7. Supplemental cash flow information:

	2015	2014
Changes in non-cash operating working capital:		
Accounts receivable	\$ (67,612)	\$ 26,429
Prepaid expenses	(11,802)	15,278
Inventories	(701)	(1,251)
Receivable from Foundation	539,501	(339,247)
Payable to Vancouver Island Health Authority	(32,788)	58,823
Accounts payable and accrued liabilities	45,109	22,821
Deferred revenue	82,195	(21,648)
	<u>\$ 553,902</u>	<u>\$ (238,795)</u>

8. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk arises from cash held with banks and financial institutions and credit exposure to accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Society assesses the credit quality of the counter parties, dealing only with high credit quality financial institutions, taking into account their financial position, past experience, and other factors.

It is management's opinion that the Society is not exposed to significant credit risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change in the risk exposures from 2014.