

Financial Statements of

VICTORIA HOSPICE SOCIETY

Years ended March 31, 2013 and 2012



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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Victoria Hospice Society as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 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 in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

Chartered Accountants
August 1, 2013
Victoria, Canada

VICTORIA HOSPICE SOCIETY

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

		Operating Fund	Capital Fund	March 31, 2013 Total	March 31, 2012 Total	April 1, 2011 Total
Assets						
Current assets:						
Cash	\$	179,253	-	179,253	160,359	201,914
Accounts receivable		49,825	-	49,825	38,969	89,878
Prepaid expenses		16,278	-	16,278	2,052	1,500
Inventories		10,615	-	10,615	15,977	60,222
Receivable from Victoria Hospice and Palliative Care Foundation (note 4)		210,169	-	210,169	440,914	145,303
		466,140	-	466,140	658,271	498,817
Cash surrender value of life insurance policies (note 2)		94,767	-	94,767	53,536	47,133
Capital assets (note 3)		-	251,080	251,080	361,056	477,718
	\$	560,907	251,080	811,987	1,072,863	1,023,668
Liabilities						
Payable to Vancouver Island Health Authority	\$	210,487	-	210,487	228,137	107,882
Accounts payable and accrued liabilities		344,678	-	344,678	328,549	252,902
Deferred revenue		115,747	-	115,747	83,391	86,734
		670,912	-	670,912	640,077	447,518
Fund Balances						
Invested in capital assets		-	251,080	251,080	361,056	477,718
Unrestricted		(110,005)	-	(110,005)	71,730	98,432
		(110,005)	251,080	141,075	432,786	576,150
Commitments (note 5)		-	-	-	-	-
	\$	560,907	251,080	811,987	1,072,863	1,023,668

See accompanying notes to financial statements.

Approved on Behalf of the Board:

 Director

 Director

VICTORIA HOSPICE SOCIETY

Statements of Operations and Changes in Fund Balances

Years ended March 31, 2013 and 2012

	Operating Fund	Capital Fund	Total 2013	Operating Fund	Capital Fund	Total 2012
Revenue:						
Vancouver Island Health Authority:						
Operating grant and contract funding	\$ 3,229,437	-	3,229,437	3,199,912	-	3,199,912
M.S.P. recoveries	576,257	-	576,257	538,429	-	538,429
	3,805,694	-	3,805,694	3,738,341	-	3,738,341
Public support:						
Gaming, donations and fund raising	100,000	-	100,000	-	-	-
Publications, courses and services	356,854	-	356,854	350,995	-	350,995
Increase in cash surrender value of life insurance policies	41,231	-	41,231	6,403	-	6,403
Other	17,914	-	17,914	18,291	-	18,291
	515,999	-	515,999	375,689	-	375,689
Net donations from Victoria Hospice and Palliative Care Foundation (note 4)	1,817,441	-	1,817,441	1,987,954	29,665	2,017,619
Total revenue	6,139,134	-	6,139,134	6,101,984	29,665	6,131,649
Expenses:						
Amortization of capital assets	-	116,789	116,789	-	141,571	141,571
Bereavement	289,876	-	289,876	257,146	-	257,146
Communications	96,931	-	96,931	79,605	-	79,605
Corporate and administration	473,826	-	473,826	413,689	-	413,689
Counseling and spiritual	660,759	-	660,759	666,492	-	666,492
Learning centre division	173,871	-	173,871	125,966	-	125,966
Medical	697,397	-	697,397	671,881	-	671,881
Nursing: acute care	1,460,538	-	1,460,538	1,389,677	-	1,389,677
Nursing: community care	187,058	-	187,058	199,524	-	199,524
Nursing: extended care	1,038,030	-	1,038,030	1,104,015	-	1,104,015
Palliative response team	623,314	-	623,314	599,563	-	599,563
Projects and committees	117,379	-	117,379	128,697	-	128,697
Publications, courses and services	242,141	-	242,141	248,875	-	248,875
Research and development	121,341	-	121,341	115,189	-	115,189
Staff development and education	17,164	-	17,164	12,679	-	12,679
Volunteers	114,431	-	114,431	120,444	-	120,444
Total expenses	6,314,056	116,789	6,430,845	6,133,442	141,571	6,275,013
Deficiency of revenue over expenses	(174,922)	(116,789)	(291,711)	(31,458)	(111,906)	(143,364)
Fund balances, beginning of year	71,730	361,056	432,786	98,432	477,718	576,150
Interfund transfers	(6,813)	6,813	-	4,756	(4,756)	-
Fund balances, end of year	\$ (110,005)	251,080	141,075	71,730	361,056	432,786

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses:		
Operating Fund	\$ (174,922)	\$ (31,458)
Capital Fund	(116,789)	(111,906)
	<u>(291,711)</u>	<u>(143,364)</u>
Items not involving cash:		
Amortization of capital assets	116,789	141,571
Write-down of inventories	-	36,159
Increase in cash surrender value of insurance policies	(41,231)	(6,403)
Changes in non-cash operating working capital (note 7)	241,860	(44,609)
	<u>25,707</u>	<u>(16,646)</u>
Investing:		
Purchase of capital assets	(6,813)	(24,909)
Increase (decrease) in cash	<u>18,894</u>	<u>(41,555)</u>
Cash, beginning of year	160,359	201,914
Cash, end of year	<u>\$ 179,253</u>	<u>\$ 160,359</u>

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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.

On April 1, 2012, the Society adopted Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with these standards.

In accordance with the transitional provisions in ASNPO, the Society has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no transitional adjustments to the fund balances as at April 1, 2011 or deficiency of revenue over expenses for the year ended March 31, 2012 as a result of the transition to ASNPO.

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.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(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.

Donations of life insurance policies are recorded when the funds are received 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 net income 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.

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.

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Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(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

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.

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Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(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.

2. Life insurance policies:

	Cash surrender value	Future payout value
Balance, March 31, 2011	\$ 47,133	\$ 428,529
Net increase	6,403	2,281
Balance, March 31, 2012	53,536	430,810
Net increase	41,231	46,671
Balance, March 31, 2013	\$ 94,767	\$ 477,481

3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Equipment	\$ 831,687	\$ 781,076	\$ 50,611
Leasehold improvements	1,403,480	1,233,206	170,274
Art works and other	25,695	-	25,695
Vehicle	15,000	10,500	4,500
	\$ 2,275,862	\$ 2,024,782	\$ 251,080

March 31, 2012	Cost	Accumulated amortization	Net book value
Equipment	\$ 828,210	\$ 752,013	\$ 76,197
Leasehold improvements	1,402,164	1,148,480	253,684
Art works and other	23,675	-	23,675
Vehicle	15,000	7,500	7,500
	\$ 2,269,049	\$ 1,907,993	\$ 361,056

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Years ended March 31, 2013 and 2012

3. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Equipment	\$ 803,795	\$ 697,728	\$ 106,067
Leasehold improvements	1,402,164	1,064,193	337,971
Art works and other	23,180	-	23,180
Vehicle	15,000	4,500	10,500
	<u>\$ 2,244,139</u>	<u>\$ 1,766,421</u>	<u>\$ 477,718</u>

4. Related organization:

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

	March 31, 2013	March 31, 2012	April 1, 2011
Operating grant	\$ 1,817,441	\$ 1,987,954	\$ 1,532,740
Capital grant	-	29,665	51,877
	<u>\$ 1,817,441</u>	<u>\$ 2,017,619</u>	<u>\$ 1,584,617</u>

The Society has an economic interest in the Foundation. The fund balances 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, 2013, the Foundation's net assets were \$5,270,083 (2012 - \$4,451,792).

5. Commitments:

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

2014	\$ 71,972
2015	49,115
2016	22,162
2017	8,055
2018	3,175
	<u>\$ 154,479</u>

During 2013, the Society made lease payments of \$55,323 (2012 - \$54,135).

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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 expires on March 31, 2015. The Authority also provided 62% (2012 - 60%) 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:

	2013	2012
Changes in non-cash operating working capital:		
Accounts receivable	\$ (10,856)	\$ 50,909
Prepaid expenses	(14,226)	(552)
Inventories	5,362	8,086
Receivable from Foundation	230,745	(295,611)
Payable to Vancouver Island Health Authority	(17,650)	120,255
Accounts payable and accrued liabilities	16,129	75,647
Deferred revenue	32,356	(3,343)
	\$ 241,860	\$ (44,609)

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 2012.

VICTORIA HOSPICE SOCIETY

Statement of Financial Position

Schedule 1

March 31, 2012

	Operating Fund	Capital Fund	Total
Assets			
Current assets:			
Cash	\$ 160,359	-	160,359
Accounts receivable	38,969	-	38,969
Prepaid expenses	2,052	-	2,052
Inventories	15,977	-	15,977
Receivable from Victoria Hospice and Palliative Care Foundation (note 4)	440,914	-	440,914
	658,271	-	658,271
Cash surrender value of life insurance policies (note 2)	53,536	-	53,536
Capital assets (note 3)	-	361,056	361,056
	\$ 711,807	361,056	1,072,863
Liabilities			
Payable to Vancouver Island Health Authority	\$ 228,137	-	228,137
Accounts payable and accrued liabilities	328,549	-	328,549
Deferred revenue	83,391	-	83,391
	640,077	-	640,077
Fund Balances			
Invested in capital assets	-	361,056	361,056
Unrestricted	71,730	-	71,730
	71,730	361,056	432,786
Commitments (note 5)			
	\$ 711,807	361,056	1,072,863

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Statement of Financial Position

Schedule 2

April 1, 2011

	Operating Fund	Capital Fund	Total
Assets			
Current assets:			
Cash	\$ 201,914	-	201,914
Accounts receivable	89,878	-	89,878
Prepaid expenses	1,500	-	1,500
Inventories	60,222	-	60,222
Receivable from Victoria Hospice and Palliative Care Foundation (note 4)	145,303	-	145,303
	498,817	-	498,817
Cash surrender value of life insurance policies (note 2)	47,133	-	47,133
Capital assets (note 3)	-	477,718	477,718
	\$ 545,950	477,718	1,023,668
Liabilities			
Payable to Vancouver Island Health Authority	\$ 107,882	-	107,882
Accounts payable and accrued liabilities	252,902	-	252,902
Deferred revenue	86,734	-	86,734
	447,518	-	447,518
Fund Balances			
Invested in capital assets	-	477,718	477,718
Unrestricted	98,432	-	98,432
	98,432	477,718	576,150
Commitments (note 5)	-	-	-
	\$ 545,950	477,718	1,023,668

See accompanying notes to financial statements.