

Financial Statements of

**VICTORIA HOSPICE SOCIETY**

Year ended March 31, 2014



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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, 2014, 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 audit 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, 2014, 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.

*KPMG LLP*

Chartered Accountants

July 17, 2014  
Victoria, Canada

# VICTORIA HOSPICE SOCIETY

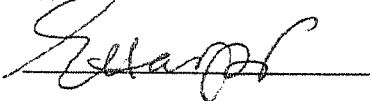
## Statement of Financial Position

March 31, 2014, with comparative information for 2013

	Operating Fund	Capital Fund	2014 Total	2013 Total
<b>Assets</b>				
Current assets:				
Cash	\$ 158,888	-	158,888	179,253
Accounts receivable	23,396	-	23,396	49,825
Prepaid expenses	1,000	-	1,000	16,278
Inventories	11,866	-	11,866	10,615
Receivable from Victoria Hospice and Palliative Care Foundation (note 4)	549,416	-	549,416	210,169
	744,566	-	744,566	466,140
Cash surrender value of life insurance policies (note 2)	101,170	-	101,170	94,767
Capital assets (note 3)	-	155,665	155,665	251,080
	\$ 845,736	155,665	1,001,401	811,987
<b>Liabilities</b>				
Payable to Vancouver Island Health Authority	\$ 269,310	-	269,310	210,487
Accounts payable and accrued liabilities	367,499	-	367,499	344,678
Deferred revenue	94,099	-	94,099	115,747
	730,908	-	730,908	670,912
<b>Fund Balances</b>				
Invested in capital assets	-	155,665	155,665	251,080
Unrestricted	114,828	-	114,828	(110,005)
	114,828	155,665	270,493	141,075
Commitments (note 5)				
	\$ 845,736	155,665	1,001,401	811,987

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, 2014, with comparative information for 2013

	Operating Fund	Capital Fund	Total 2014	Operating Fund	Capital Fund	Total 2013
Revenue:						
Vancouver Island Health Authority:						
Operating grant and contract funding	\$ 3,368,434	-	3,368,434	\$ 3,229,437	-	3,229,437
M.S.P. recoveries	575,570	-	575,570	576,257	-	576,257
	3,944,004	-	3,944,004	3,805,694	-	3,805,694
Public support:						
Gaming, donations and fund raising	51,778	-	51,778	100,000	-	100,000
Publications, courses and services	333,784	-	333,784	356,854	-	356,854
Increase in cash surrender value of life insurance policies	6,403	-	6,403	41,231	-	41,231
Other	11,974	-	11,974	17,914	-	17,914
	403,939	-	403,939	515,999	-	515,999
Net donations from Victoria Hospice and Palliative Care Foundation (note 4)	2,861,069	22,383	2,883,452	1,817,441	-	1,817,441
Total revenue	7,209,012	22,383	7,231,395	6,139,134	-	6,139,134
Expenses:						
Amortization of capital assets	-	118,648	118,648	-	116,789	116,789
Bereavement	267,486	-	267,486	289,876	-	289,876
Communications	114,481	-	114,481	96,931	-	96,931
Corporate and administration	609,732	-	609,732	473,826	-	473,826
Counseling and spiritual	646,482	-	646,482	660,759	-	660,759
Learning centre division	195,772	-	195,772	173,871	-	173,871
Medical	755,148	-	755,148	697,397	-	697,397
Nursing	2,820,488	-	2,820,488	2,498,568	-	2,498,568
Palliative response team	931,492	-	931,492	810,372	-	810,372
Projects and committees	162,485	-	162,485	117,379	-	117,379
Publications, courses and services	228,964	-	228,964	242,141	-	242,141
Research and development	97,281	-	97,281	121,341	-	121,341
Staff development and education	16,306	-	16,306	17,164	-	17,164
Volunteers	137,212	-	137,212	114,431	-	114,431
Total expenses	6,983,329	118,648	7,101,977	6,314,056	116,789	6,430,845
Excess (deficiency) of revenue over expenses	225,683	(96,265)	129,418	(174,922)	(116,789)	(291,711)
Fund balances, beginning of year	(110,005)	251,080	141,075	71,730	361,056	432,786
Interfund transfers	(850)	850	-	(6,813)	6,813	-
Fund balances, end of year	\$ 114,828	155,665	270,493	\$ (110,005)	251,080	141,075

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 225,683	\$ (174,922)
Capital Fund	(96,265)	(116,789)
	129,418	(291,711)
Items not involving cash:		
Amortization of capital assets	118,648	116,789
Increase in cash surrender value of insurance policies	(6,403)	(41,231)
Changes in non-cash operating working capital (note 7)	(238,795)	241,860
	2,868	25,707
Investing:		
Purchase of capital assets	(23,233)	(6,813)
Increase (decrease) in cash	(20,365)	18,894
Cash, beginning of year	179,253	160,359
Cash, end of year	\$ 158,888	\$ 179,253

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2014

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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.

## 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.

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.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2014

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### 1. Significant accounting policies (continued):

(c) Financial instruments:

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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# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

(f) Capital assets:

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 figures:

Certain figures in the prior year have 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, 2012	\$ 53,536	\$ 430,810
Net increase	41,231	46,671
Balance, March 31, 2013	94,767	477,481
Net increase	6,403	930
Balance, March 31, 2014	\$ 101,170	\$ 478,411



# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2014

### 3. Capital assets:

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>

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
	<u>\$ 2,275,862</u>	<u>\$ 2,024,782</u>	<u>\$ 251,080</u>

### 4. Related organization:

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

	2014	2013
Operating grant	\$ 2,861,069	\$ 1,817,441
Capital grant	22,383	-
	<u>\$ 2,883,452</u>	<u>\$ 1,817,441</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, 2014, the Foundation's net assets were \$6,379,192 (2013 - \$5,270,083).

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2014

## 5. Commitments:

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

2015	\$	52,409
2016		22,734
2017		10,455
2018		3,187
2019		-
	\$	88,785

During 2014, the Society made lease payments of \$63,873 (2013 - \$55,323).

## 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 57% (2013 - 62%) 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:

	2014	2013
Changes in non-cash operating working capital:		
Accounts receivable	\$ 26,429	\$ (10,856)
Prepaid expenses	15,278	(14,226)
Inventories	(1,251)	5,362
Receivable from Foundation	(339,237)	230,745
Payable to Vancouver Island Health Authority	58,823	(17,650)
Accounts payable and accrued liabilities	22,821	16,129
Deferred revenue	(21,648)	32,356
	\$ (238,785)	\$ 241,860

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2014

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## **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 2013.

## **9. Subsequent event:**

In April 2014, the seven employees of the Foundation were transferred to the Society. The Society will be the recipient of future fundraising revenues. In addition, the Foundation has restructured the composition of its board of directors such that the majority of the Foundation's board members are also board members of the Society.