

Financial Statements of

VICTORIA HOSPICE SOCIETY

Year ended March 31, 2016



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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, 2016, 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria Hospice Society as at March 31, 2016, 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 Professional Accountants

July 21, 2016
Victoria, Canada

VICTORIA HOSPICE SOCIETY

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	Operating Fund	Capital Fund	2016 Total	2015 Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 70,402	-	70,402	724,281
Investments (note 2)	600,000	-	600,000	-
Accounts receivable	48,314	-	48,314	91,008
Prepaid expenses	8,248	-	8,248	12,802
Inventories	7,912	-	7,912	12,567
Receivable from Victoria Hospice and Palliative Care Foundation (note 3)	44,346	-	44,346	9,915
	779,222	-	779,222	850,573
Cash surrender value of life insurance policies (note 4)	124,770	-	124,770	108,439
Capital assets (note 5)	-	190,650	190,650	142,011
	\$ 903,992	190,650	1,094,642	1,101,023
Liabilities				
Payable to Vancouver Island Health Authority	\$ 309,627	-	309,627	236,522
Accounts payable and accrued liabilities	335,026	-	335,026	412,608
Deferred revenue	118,742	-	118,742	176,294
	763,395	-	763,395	825,424
Fund Balances				
Invested in capital assets	-	190,650	190,650	142,011
Unrestricted	140,597	-	140,597	133,588
Commitments (note 6)	140,597	190,650	331,247	275,599
	\$ 903,992	190,650	1,094,642	1,101,023

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, 2016, with comparative information for 2015

	Operating Fund	Capital Fund	Total 2016	Operating Fund	Capital Fund	Total 2015
Revenue:						
Vancouver Island Health Authority:						
Operating grant and contract funding	\$ 3,234,352	-	3,234,352	\$ 3,364,641	-	3,364,641
M.S.P. recoveries	614,792	-	614,792	582,877	-	582,877
Public support:						
Gaming	3,849,144	-	3,849,144	3,947,518	-	3,947,518
Donations and fundraising	54,070	-	54,070	51,035	-	51,035
Publications, courses and services	3,497,969	-	3,497,969	3,252,179	-	3,252,179
Increase in cash surrender value of life insurance policies	398,241	-	398,241	392,038	-	392,038
Thrift boutique	16,331	-	16,331	7,269	-	7,269
Other	66,366	-	66,366	184,748	-	184,748
				63,282	-	63,282
Net donations from (to) Victoria Hospice	4,032,977	-	4,032,977	3,950,551	-	3,950,551
Palliative Care Foundation (note 3)	(259,622)	65,483	(194,139)	78,501	87,682	166,183
Gain on sale of capital assets	-	-	-	1,498	-	1,498
Total revenue	7,622,499	65,483	7,687,982	7,978,068	87,682	8,065,750
Expenses:						
Amortization of capital assets	-	44,625	44,625	-	117,728	117,728
Bereavement	259,972	-	259,972	249,050	-	249,050
Communications	74,947	-	74,947	211,558	-	211,558
Corporate and administration	672,077	-	672,077	718,782	-	718,782
Counseling and spiritual	581,466	-	581,466	675,668	-	675,668
Education and research	362,499	-	362,499	306,369	-	306,369
Fund development and planned giving	572,427	-	572,427	694,425	-	694,425
Medical	789,101	-	789,101	758,295	-	758,295
Nursing	2,966,092	-	2,966,092	2,739,561	-	2,739,561
Palliative response team	866,347	-	866,347	875,367	-	875,367
Projects and committees	66,433	-	66,433	174,733	-	174,733
Publications, courses and services	231,646	-	231,646	250,316	-	250,316
Staff development	16,810	-	16,810	13,273	-	13,273
Thrift boutique	-	-	-	141,005	-	141,005
Volunteers	127,892	-	127,892	134,514	-	134,514
Total expenses	7,587,709	44,625	7,632,334	7,942,916	117,728	8,060,644
Excess (deficiency) of revenue over expenses	34,790	20,858	55,648	35,152	(30,046)	5,106
Fund balances, beginning of year	133,588	142,011	275,599	114,828	155,665	270,493
Interfund transfers (note 10)	(27,781)	27,781	-	(16,392)	16,392	-
Fund balances, end of year	\$ 140,597	190,650	331,247	\$ 133,588	142,011	275,599

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 34,790	\$ 35,152
Capital Fund	20,858	(30,046)
	55,648	5,106
Items not involving cash:		
Amortization of capital assets	44,625	117,728
Increase in cash surrender value of insurance policies	(16,331)	(7,269)
Gain on disposal of capital assets	-	(1,498)
Changes in non-cash operating working capital (note 8)	(44,557)	553,902
	39,385	667,969
Investing:		
Purchase of investments	(600,000)	-
Cash proceeds on the sale of capital assets	-	4,200
Purchase of capital assets	(93,264)	(106,776)
	(693,264)	(102,576)
Increase (decrease) in cash and cash equivalents	(653,879)	565,393
Cash and cash equivalents, beginning of year	724,281	158,888
Cash and cash equivalents, end of year	\$ 70,402	\$ 724,281

See accompanying notes to financial statements.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2016

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) Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term investments with original maturity dates of 91 days or less when acquired and investments in money market instruments.

(d) 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.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

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.

(e) 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.

(f) Medical supplies:

Medical supplies are expensed as purchased.

(g) 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

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) 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. Contributed materials of \$52,895 (2015 - \$51,088) were included in other revenue in the year.

(j) 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. Investments:

Investments consists of a term deposit bearing interest at 0.9% with a maturity date of June 23, 2016.

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2016

3. 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 manage endowment funds and other investments to provide palliative care, counselling, bereavement support, research and education. The Society provides certain administrative services without charge to the Foundation.

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

	2016	2015
Operating grant	\$ 240,378	\$ 78,501
Capital grant	65,483	87,682
Donation to Foundation	(500,000)	-
	(194,139)	166,183
Deferred grant	15,197	11,877
	\$ (178,942)	\$ 178,060

The Foundation has not been consolidated in the Society's financial statements. A financial summary of the Foundation as at March 31, 2016 and for the years then ended is as follows:

Victoria Hospice and Palliative Care Foundation Financial Position

	2016	2015
Total assets	\$ 7,111,265	\$ 7,042,124
Total liabilities	(223,280)	(190,200)
Fund balances	\$ 6,887,985	\$ 6,851,924

Victoria Hospice and Palliative Care Foundation Results of Operations

	2016	2015
Total revenue	\$ 441,698	\$ 724,267
Total expenses	(405,637)	(251,535)
Excess of revenue over expenses	\$ 36,061	\$ 472,732

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Notes to Financial Statements

Year ended March 31, 2016

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

Victoria Hospice and Palliative Care Foundation Cash Flows

	2016	2015
Operating activities	\$ 702,814	\$ (549,581)
Investing activities	(731,588)	(147,724)
Decrease in cash	\$ (28,774)	\$ (697,305)

4. Life insurance policies:

	Cash surrender value	Future payout value
Balance, March 31, 2014	\$ 101,170	\$ 478,411
Net increase	7,269	1,217
Balance, March 31, 2015	108,439	479,628
Net increase	16,331	15,635
Balance, March 31, 2016	\$ 124,770	\$ 495,263

5. Capital assets:

March 31, 2016	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,007,218	\$ 868,699	\$ 138,519
Leasehold improvements	1,412,512	1,412,512	-
Art works and other	26,295	-	26,295
Vehicle	36,908	11,072	25,836
	\$ 2,482,933	\$ 2,292,283	\$ 190,650

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
	\$ 2,389,669	\$ 2,247,658	\$ 142,011

VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2016

5. Capital assets (continued):

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$8,950 (2015 - \$19,500).

6. Commitments:

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

2017	\$ 50,305
2018	41,987
2019	15,534
2020	6,693
2021	6,663
	<hr/>
	\$ 121,182

During 2016, the Society made lease payments of \$97,897 (2015 - \$94,415).

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 of these services 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 lease has not since been renewed, but the Society continues to operate under its terms. The Authority also provided 50% (2015 - 49%) 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, 2016

8. Supplemental cash flow information:

	2016	2015
Changes in non-cash operating working capital:		
Accounts receivable	\$ 42,694	\$ (67,612)
Prepaid expenses	4,554	(11,802)
Inventories	4,655	(701)
Receivable from Foundation	(34,431)	539,501
Payable to Vancouver Island Health Authority	73,105	(32,788)
Accounts payable and accrued liabilities	(77,582)	45,109
Deferred revenue	(57,552)	82,195
	<u>\$ (44,557)</u>	<u>\$ 553,902</u>

9. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk arises from cash and cash equivalents and investments 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 2015.

10. Interfund transfers:

Interfund transfers from the Operating Fund to the Capital Fund are amounts to partially fund the purchase of capital assets.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria Hospice Society as at March 31, 2016, 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 Professional Accountants

July 21, 2016
Victoria, Canada