

Financial Statements of

**VICTORIA HOSPICE AND PALLIATIVE
CARE FOUNDATION**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Hospice and Palliative Care Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Victoria Hospice and Palliative Care Foundation, which comprise the statement of financial position as at March 31, 2017, 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 the Victoria Hospice and Palliative Care Foundation as at March 31, 2017, 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 Societies Act (British Columbia), we report that, in our opinion, the accounting principles applied by Victoria Hospice and Palliative Care Foundation 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 20, 2017
Victoria, Canada

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	Operating Fund	Restricted Funds	Total 2017	Operating Fund	Restricted Funds	Total 2016
Assets						
Current assets						
Cash and cash equivalents	\$ 462,822	-	462,822	\$ 224,381	-	224,381
Receivable from Victoria Hospice Society (note 4)	4,363,462	-	4,363,462	-	-	-
	4,826,284	-	4,826,284	224,381	-	224,381
Marketable securities (note 2)	1,410,375	5,967,606	7,377,981	3,738,631	2,969,319	6,707,950
Long-term receivable (note 3)	95,601	-	95,601	178,934	-	178,934
	\$ 6,332,260	5,967,606	12,299,866	\$ 4,141,946	2,969,319	7,111,265

Liabilities

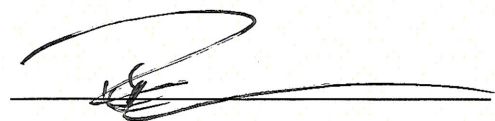
Current liabilities:						
Payable to Victoria Hospice Society (note 4)	\$ -	-	-	\$ 44,346	-	44,346
Deferred contributions from irrevocable trusts	95,601	-	95,601	178,934	-	178,934
	95,601	-	95,601	223,280	-	223,280

Fund Balances

Unrestricted	6,236,659	-	6,236,659	3,918,666	-	3,918,666
Externally restricted endowments - donor contributions	-	1,917,606	1,917,606	-	1,917,606	1,917,606
Internally restricted – retained investment earnings	-	-	-	-	1,051,713	1,051,713
Internally restricted – operating contingency reserve	-	4,050,000	4,050,000	-	-	-
	6,236,659	5,967,606	12,204,265	3,918,666	2,969,319	6,887,985
	\$ 6,332,260	5,967,606	12,299,866	\$ 4,141,946	2,969,319	7,111,265

See accompanying notes to financial statements.

Approved on Behalf of the Board:



Director



Director

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Operating Fund	Restricted Funds (Schedule 1)	Total 2017	Operating Fund	Restricted Funds (Schedule 2)	Total 2016
Revenue:						
Contributions from irrevocable trusts (note 3)	\$ 94,013	-	94,013	\$ -	-	-
Donations from Victoria Hospice Society (note 4)	4,621,878	-	4,621,878	500,000	-	500,000
Interest and dividends (note 7)	306,767	-	306,767	292,451	-	292,451
Investment valuation gains (losses) (note 7)	668,854	-	668,854	(350,753)	-	(350,753)
	5,691,512	-	5,691,512	441,698	-	441,698
Expenses:						
Fundraising and administration	3,039	-	3,039	2,026	-	2,026
Development and planned giving	-	-	-	12,399	-	12,399
Investment management fees	75,440	-	75,440	70,154	-	70,154
Donations to Victoria Hospice Society (note 4)	296,753	-	296,753	321,058	-	321,058
	375,232	-	375,232	405,637	-	405,637
Excess of revenue over expenses	5,316,280	-	5,316,280	36,061	-	36,061
Transfers (note 6):						
Establish operating contingency reserve fund	(2,714,456)	2,714,456	-	-	-	-
Investment income, net of distributions to restricted funds	(283,831)	283,831	-	170,646	(170,646)	-
Fund balances, beginning of year	3,918,666	2,969,319	6,887,985	3,711,959	3,139,965	6,851,924
Fund balances, end of year	\$ 6,236,659	5,967,606	12,204,265	\$ 3,918,666	2,969,319	6,887,985

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Operating activities:		
Excess of revenue over expenses:		
Operating Fund	\$ 5,316,280	\$ 36,061
Items not involving cash:		
Unrealized loss (gain) on marketable securities	(580,928)	556,778
Changes in non-cash operating working capital:		
Decrease in accounts receivable	-	76,895
Decrease in accounts payable	-	(1,351)
Increase (decrease) in receivable from Victoria Hospice Society	(4,363,462)	-
Increase (decrease) in payable to Victoria Hospice Society	(44,346)	34,431
	327,544	702,814
Investing activities:		
Purchase of marketable securities	(193)	(500,000)
Reinvested investment income, net of investment management fees	(318,592)	(427,888)
Distributions from marketable securities	229,682	196,300
	(89,103)	(731,588)
Increase (decrease) in cash and cash equivalents	238,441	(28,774)
Cash and cash equivalents, beginning of year	224,381	253,155
Cash and cash equivalents, end of year	\$ 462,822	\$ 224,381

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

The Victoria Hospice and Palliative Care Foundation (the "Foundation") was incorporated under the Society Act (British Columbia) on September 10, 1997 and is a public foundation under the Income Tax Act. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Foundation has until November 28, 2018 to transition to the new act. The Foundation's principal activity is to manage endowment funds and other investments to fund the provision of palliative care, counseling, bereavement support, research and education.

The Foundation received initial funding by way of a specified donation from the Victoria Hospice Society (the "Society") on February 7, 1999.

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 Foundation follows the restricted fund method of accounting for contributions.

Operating Fund:

The Operating Fund includes: (i) operating revenue and expenditure of the Foundation and (ii) donations received for which there are no restrictions attached by the donor.

Restricted Funds:

- (i) The Education Endowment Fund includes externally restricted donations totaling \$229,295 (2016 - \$229,295) which the donor specifies that the principal is to be held intact in perpetuity and has restricted their use to educational purposes.
- (ii) The Butchart and Friends Endowment Fund includes externally restricted donations of \$100,000 (2016 - \$100,000) for which the donor specifies that the principal is to be held intact in perpetuity.
- (iii) The Barbara Steel Endowment Fund includes externally restricted donations of \$577,274 (2016 - \$577,274) for which the donor specifies that the principal is to be held intact in perpetuity.
- (iv) The Helen Sawyer Endowment Fund includes externally restricted donations totaling \$50,000 (2016 - \$50,000) for which the donor specifies that the principal is to be held intact in perpetuity.
- (v) The General Endowment Fund includes externally restricted donations totaling \$961,037 (2016 - \$961,037) for which the donors specify that the principal is to be held intact in perpetuity.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

Restricted Funds (continued):

(vi) The Operating Contingency Reserve is internally restricted and is set aside for the Victoria Hospice Society to maintain continuity of essential care activities in the event that public contributions are significantly less than budget. The Operating Contingency Reserve was established to support operations in the case of a 50% shortfall in estimated non-contract revenue over a two year period.

(b) Revenue recognition:

The Foundation receives contributions from the Society and allows for restrictions on the use of those contributions.

(c) Cash and cash equivalents:

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

(d) Investment income:

Interest and dividend income earned relating to the Butchart and Friends Endowment, Barbara Steel Endowment, General Endowment and Helen Sawyer Funds totaling \$119,725 (2016 - \$117,581) is considered unrestricted and the income is recognized in the Operating Fund with no restriction placed on its expenditure.

Interest and dividend income earned relating to the Education Endowment Fund is considered restricted and the earnings recorded in the Operating Fund as deferred revenue with educational activity restrictions placed on its expenditure.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Marketable securities consist of pooled fund investments, held with the Victoria Foundation, which are quoted in an active market and subsequently measured at fair value. Market value is based on the unit values supplied by the pooled fund administrator, which represent the Foundation's proportionate share of underlying net assets at fair values determined using market prices. Amounts invested by the Foundation in pooled funds cannot be retracted in the first three years, except once on the first anniversary. There are no retraction restrictions subsequent to the initial three year period. A fee of up to 1% may be payable upon retraction.

All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(e) 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 the 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 Foundation 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 Foundation 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.

(f) Charitable remainder trusts:

The Foundation has been named the capital beneficiary under charitable remainder trust arrangements. The Foundation's capital interests are actuarially valued at the time the trust arrangements are established and recorded as a long-term receivable and deferred contributions from irrevocable trusts. A receipt for income tax purposes is issued at that time based on the valuation. Due to the inability to accurately predict the timing of the future asset transfers, the Foundation records the revenue from a charitable remainder trust upon distribution of the trust assets to the Foundation.

(g) 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 expenditure during the period. Significant items subject to such estimates and assumptions include the carrying amount of the long-term receivable. Actual results could differ from those estimates.

(h) Comparative information:

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

2. Marketable securities:

The marketable securities are held by the Victoria Foundation and invested in the Victoria Foundation's Common Trust Fund. The Victoria Foundation determines fair value based on bid prices at year end. The Foundation receives the annual income from these funds and retains the right of retraction for these funds.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

3. Long-term receivable:

Long-term receivable includes \$95,601 (2016 - \$178,934) which represents the net present value of the Foundation's interest as capital beneficiary of charitable remainder trusts at the time the trusts were established. The receivable is not adjusted or realized until death of the donor and receipt of the assets.

In fiscal 2017, the Foundation received the assets from one of the charitable remainder trusts. The Foundation received proceeds of \$94,013 which are included as revenue. The long-term receivable and deferred contributions from irrevocable trusts decreased by \$83,333 which was the net present value of the Foundation's interest at the time the trust was established.

4. Related organization:

Net donations to (from) the Victoria Hospice Society (the "Society"):

	2017	2016
Operating grant	\$ 238,327	\$ 255,575
Capital grant	58,426	65,483
Donation from Society	(4,621,878)	(500,000)
	<u>\$ (4,325,125)</u>	<u>\$ (178,942)</u>

During 2017, the Victoria Hospice Society made an unrestricted donation of \$4,621,878 (2016 - \$500,000) to the Foundation.

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

The Society's principal activities are the operation of a not-for-profit facility that provides palliative care, counseling, bereavement support, research and education.

The Foundation receives certain services provided by the Vancouver Island Health Authority. The Society provides certain administrative services without charge to the Foundation.

As at March 31, 2017, the Society's fund balances were \$380,356 (2016 - \$331,247).

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

5. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Foundation 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.

(b) Liquidity risk:

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

(c) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Market price risk is managed through the Victoria Foundation's Investment Policy which specifies the required asset mix and eligible securities permitted within its investment portfolio.

There has been no change to the risk exposures from 2016.

6. Transfers:

Interfund transfers between the Operating Fund and the Education, Butchart and Friends, Barbara Steel, Helen Sawyer and General Endowment Funds are allocations of investment income net of investment management fee expenses to each of the endowment funds.

Interfund transfers between the Operating Fund and the Operating Contingency Reserve are allocations of unrestricted earnings to the reserve. During the year, the Foundation internally restricted an additional \$2,714,456 (2016 - nil).

Interfund transfers between the various Endowment Funds and the Operating Contingency Reserve are allocations of internally restricted earnings to the reserve. During the year, the Foundation transferred a total of \$1,335,544 (2016 - nil) from the retained investment earnings of the Endowment Funds to the Operating Contingency Reserve.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

7. Investment income:

	2017	2016
Interest and dividends:		
Education Endowment Fund	\$ 15,476	\$ 15,198
Butchart and Friends Endowment Fund	7,255	7,113
Barbara Steel Endowment Fund	32,751	32,167
General Endowment Fund	74,345	73,017
Helen Sawyer Endowment Fund	5,374	5,284
Operating Fund	171,566	159,672
	306,767	292,451
Investment valuation gains (losses):		
Education Endowment Fund	33,823	(18,899)
Butchart and Friends Endowment Fund	15,906	(8,984)
Barbara Steel Endowment Fund	71,583	(39,998)
General Endowment Fund	162,491	(90,793)
Helen Sawyer Endowment Fund	11,748	(6,575)
Operating Fund	373,303	(185,504)
	668,854	(350,753)
	\$ 975,621	\$ (58,302)

Investment valuation gains (losses) consists of realized capital gains of \$87,926 (2016 - realized capital gain of \$206,025) and unrealized capital gains of \$580,928 (2016 - unrealized capital loss of \$556,778).

8. Restricted fund balances:

	2017	2016
Externally restricted endowments - donor contributions:		
Education Endowment Fund	\$ 229,295	\$ 229,295
Butchart and Friends Endowment Fund	100,000	100,000
Barbara Steel Endowment Fund	577,274	577,274
Helen Sawyer Endowment Fund	50,000	50,000
General Endowment Fund	961,037	961,037
	\$ 1,917,606	\$ 1,917,606

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

8. Restricted fund balances (continued)

	2017	2016
Internally restricted – retained investment earnings (note 6):		
Education Endowment Fund	\$ -	\$ 110,464
Butchart and Friends Endowment Fund	-	60,264
Barbara Steel Endowment Fund	-	141,768
Helen Sawyer Endowment Fund	-	68,036
General Endowment Fund	-	671,181
	\$ -	\$ 1,051,713
Internally restricted - Operating Contingency Fund	\$ 4,050,000	\$ -

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Schedule of Restricted Fund Balances

Schedule 1

Year ended March 31, 2017

	Operating Contingency Fund	Education Endowment Fund	Butchart and Friends Endowment Fund	Barbara Steel Endowment Fund	Helen Sawyer Endowment Fund	General Endowment Fund	Total 2017
Transfers (note 6):							
Establish operating contingency reserve fund from operating fund	\$ 2,714,456	-	-	-	-	-	2,714,456
Establish operating contingency reserve fund from internally restricted portion of endowment funds	1,335,544	(142,939)	(75,629)	(210,499)	(79,268)	(827,209)	-
Investment income, net of distributions from operating fund to endowment funds	-	32,475	15,365	68,731	11,232	156,028	283,831
Restricted fund balances, beginning of year (note 8)	-	339,759	160,264	719,042	118,036	1,632,218	2,969,319
Restricted fund balances, end of year (note 8)	\$ 4,050,000	229,295	100,000	577,274	50,000	961,037	5,967,606

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Schedule of Restricted Fund Operations

Schedule 2

Year ended March 31, 2016

	Butchart Education Endowment Fund	Barbara and Friends Endowment Fund	Helen Steel Endowment Fund	Sawyer Endowment Fund	General Endowment Fund	Total 2016
Transfers (note 6):						
Net investment loss from operating fund to endowment funds	\$ (19,510)	(9,156)	(41,291)	(6,996)	(93,693)	(170,646)
Restricted fund balances, beginning of year (note 8)	359,269	169,420	760,333	125,032	1,725,911	3,139,965
Restricted fund balances, end of year (note 8)	\$ 339,759	160,264	719,042	118,036	1,632,218	2,969,319