

Financial Statements of

**VICTORIA HOSPICE SOCIETY**

Year ended March 31, 2017



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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, 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 Victoria Hospice Society 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 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 20, 2017  
Victoria, Canada



# VICTORIA HOSPICE SOCIETY

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

	Operating Fund	Capital Fund	2017 Total	2016 Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,657,483	-	1,657,483	70,402
Investments (note 2)	3,550,000	-	3,550,000	600,000
Accounts receivable	83,310	-	83,310	48,314
Prepaid expenses	6,985	-	6,985	8,248
Inventories	15,818	-	15,818	7,912
Receivable from Victoria Hospice and Palliative Care Foundation (note 3)	-	-	-	44,346
	5,313,596	-	5,313,596	779,222
Cash surrender value of life insurance policies (note 4)	122,445	-	122,445	124,770
Capital assets (note 5)	-	234,603	234,603	190,650
	\$ 5,436,041	234,603	5,670,644	1,094,642

## Liabilities


Current liabilities:				
Payable to Vancouver Island Health Authority	\$ 409,188	-	409,188	309,627
Accounts payable and accrued liabilities	341,262	-	341,262	335,026
Payable to Victoria Hospice and Palliative Care Foundation (note 3)	4,363,462	-	4,363,462	-
Deferred revenue	176,376	-	176,376	118,742
	5,290,288	-	5,290,288	763,395

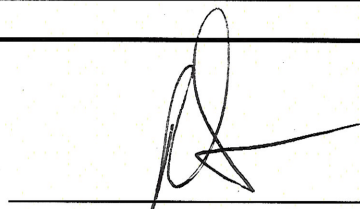
## Fund Balances

Invested in capital assets	-	234,603	234,603	190,650
Unrestricted	145,753	-	145,753	140,597
	145,753	234,603	380,356	331,247
Commitments (note 6)				
	\$ 5,346,041	234,603	5,670,644	1,094,642

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, 2017, with comparative information for 2016

	Operating Fund	Capital Fund	Total 2017	Operating Fund	Capital Fund	Total 2016
Revenue:						
Vancouver Island Health Authority:						
Operating grant and contract funding	\$ 4,094,571	-	4,094,571	\$ 3,234,352	-	3,234,352
M.S.P. recoveries	676,603	-	676,603	614,792	-	614,792
	4,771,174	-	4,771,174	3,849,144	-	3,849,144
Public support:						
Gaming	50,000	-	50,000	54,070	-	54,070
Donations and fundraising	7,398,456	-	7,398,456	3,550,699	-	3,550,699
Publications, courses and services	388,327	-	388,327	398,319	-	398,319
Increase (decrease) in cash surrender value of life insurance policies	(2,325)	-	(2,325)	16,331	-	16,331
Other	59,316	-	59,316	13,636	-	13,636
	7,893,774	-	7,893,774	4,033,055	-	4,033,055
Donations from Victoria Hospice Palliative Care Foundation (note 3)	222,851	58,426	281,277	240,378	65,483	305,861
Total revenue	12,887,799	58,426	12,946,225	8,122,577	65,483	8,188,060
Expenses:						
Amortization of capital assets	-	52,468	52,468	-	44,625	44,625
Bereavement	284,666	-	284,666	259,972	-	259,972
Communications	78,902	-	78,902	74,947	-	74,947
Corporate and administration	909,523	-	909,523	670,662	-	670,662
Counseling and spiritual	655,734	-	655,734	581,466	-	581,466
Education and research	334,316	-	334,316	379,309	-	379,309
Fund development and planned giving	672,699	-	672,699	572,427	-	572,427
Medical	843,253	-	843,253	789,101	-	789,101
Nursing	2,921,097	-	2,921,097	2,966,092	-	2,966,092
Palliative response team	859,838	-	859,838	866,347	-	866,347
Projects and committees	224,958	-	224,958	67,849	-	67,849
Publications, courses and services	300,673	-	300,673	231,723	-	231,723
Volunteers	137,111	-	137,111	127,892	-	127,892
Donations to Victoria Hospice Palliative Care Foundation (note 3)	4,621,878	-	4,621,878	500,000	-	500,000
Total expenses	12,844,648	52,468	12,897,116	8,087,787	44,625	8,132,412
Excess of revenue over expenses	43,151	5,958	49,109	34,790	20,858	55,648
Fund balances, beginning of year	140,597	190,650	331,247	133,588	142,011	275,599
Interfund transfers (note 10)	(37,995)	37,995	-	(27,781)	27,781	-
Fund balances, end of year	\$ 145,753	234,603	380,356	\$ 140,597	190,650	331,247

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

## Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses:		
Operating Fund	\$ 43,151	\$ 34,790
Capital Fund	5,958	20,858
	49,109	55,648
Items not involving cash:		
Amortization of capital assets	52,468	44,625
Decrease (increase) in cash surrender value of life insurance policies	2,325	(16,331)
Changes in non-cash operating working capital (note 8)	4,529,600	(44,557)
	4,633,502	39,385
Investing:		
Purchase of investments	(2,950,000)	(600,000)
Purchase of capital assets	(96,421)	(93,264)
	(3,046,421)	(693,264)
Increase (decrease) in cash and cash equivalents	1,587,081	(653,879)
Cash and cash equivalents, beginning of year	70,402	724,281
Cash and cash equivalents, end of year	\$ 1,657,483	\$ 70,402

See accompanying notes to financial statements.



# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2017

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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. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society has until November 28, 2018 to transition to the new 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.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2017

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

#### (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) 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. 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 on a 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:



# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2017

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

#### (g) Capital assets (continued):

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. Assets included in work-in-progress are amortized once the assets are put into use. 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 \$19,208 (2016 - \$52,895) were included in donations and fundraising 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.

#### (h) Comparative information:

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

### 2. Investments:

Investments consist of a \$3,250,000 term deposit bearing interest at 1.4% with a maturity date of July 7, 2017 and a \$300,000 term deposit bearing interest at 0.75% with a maturity date of July 6, 2017.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2017

### 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"):

	2017	2016
Operating grant	\$ 222,851	\$ 240,378
Capital grant	58,426	65,483
Donation to Foundation	(4,621,878)	(500,000)
	(4,340,601)	(194,139)
Deferred operating grant	15,476	15,197
	\$ (4,325,125)	\$ (178,942)

The Foundation has not been consolidated in the Society's financial statements. A financial summary of the Foundation as at March 31, 2017 and for the years then ended is as follows:

#### Victoria Hospice and Palliative Care Foundation

Financial Position	2017	2016
Total assets	\$ 12,299,866	\$ 7,111,265
Total liabilities	(95,601)	(223,280)
Fund balances	\$ 12,204,265	\$ 6,887,985
Results of Operations	2017	2016
Total revenue	\$ 5,691,512	\$ 441,698
Total expenses	(375,232)	(405,637)
Excess of revenue over expenses	\$ 5,316,280	\$ 36,061
Cash Flows	2017	2016
Operating activities	\$ 327,544	\$ 702,814
Investing activities	(89,103)	(731,588)
Increase (decrease) in cash	\$ 238,441	\$ (28,774)



# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2017

## 4. Life insurance policies:

	Cash surrender value	Future payout value
Balance, March 31, 2015	\$ 108,439	\$ 479,628
Net increase	16,331	15,635
Balance, March 31, 2016	124,770	495,263
Net decrease	(2,325)	(11,981)
Balance, March 31, 2017	\$ 122,445	\$ 483,282

## 5. Capital assets:

March 31, 2017	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,076,238	\$ 913,785	\$ 162,453
Leasehold improvements	1,412,512	1,412,512	-
Art works and other	26,295	-	26,295
Vehicle	36,908	18,454	18,454
Work-in-progress	27,401	-	27,401
	\$ 2,579,354	\$ 2,344,751	\$ 234,603

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

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 \$700 (2016 - \$8,950).

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2017

### 6. Commitments:

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

2018	\$	43,333
2019		16,239
2020		6,801
2021		6,669
	\$	73,042

During 2017, the Society made lease payments of \$92,403 (2016 - \$97,897).

### 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 37% (2016 - 50%) 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.

### 8. Supplemental cash flow information:

	2017	2016
Changes in non-cash operating working capital:		
Accounts receivable	\$ (34,996)	\$ 42,694
Prepaid expenses	1,263	4,554
Inventories	(7,906)	4,655
Receivable from Foundation	44,346	(34,431)
Accounts payable and accrued liabilities	6,236	(77,582)
Payable to Vancouver Island Health Authority	99,561	73,105
Payable from Foundation	4,363,462	-
Deferred revenue	57,634	(57,552)
	\$ 4,529,600	\$ (44,557)



# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2017

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### 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 2016.

### 10. Interfund transfers:

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

### 11. Societies Act remuneration disclosure:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending March 31, 2017, the Society paid remuneration of \$1,150,785 to 10 employees and contractors, each of whom received total annual remuneration of \$75,000 or greater. There were no remuneration payments made to directors of the Society.