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Financial Statements of

**VICTORIA HOSPICE SOCIETY**

Year ended March 31, 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 statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, 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 Society as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied by Victoria Hospice Society in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Accountants  
July 25, 2012  
Victoria, Canada

# VICTORIA HOSPICE SOCIETY

Statement of Financial Position

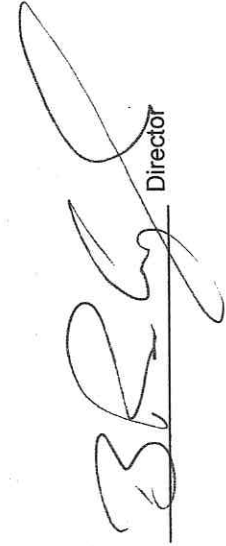
March 31, 2012, with comparative information for 2011

	Operating Fund	Capital Fund	Total 2012	Total 2011
<b>Assets</b>				
Current assets:				
Cash	\$ 160,359	-	160,359	201,914
Accounts receivable	38,969	-	38,969	89,878
Prepaid expenses	2,052	-	2,052	1,500
Inventories	15,977	-	15,977	60,222
Receivable from Victoria Hospice and Palliative Care Foundation (note 4)	440,914	-	440,914	145,303
	658,271	-	658,271	498,817
Cash surrender value of life insurance policies (note 2)	53,536	-	53,536	47,133
Capital assets (note 3)	-	361,056	361,056	477,718
	\$ 711,807	361,056	1,072,863	1,023,668
<b>Liabilities</b>				
Payable to Vancouver Island Health Authority	\$ 228,137	-	228,137	107,882
Accounts payable and accrued liabilities	328,549	-	328,549	252,902
Deferred revenue	83,391	-	83,391	86,734
	640,077	-	640,077	447,518
<b>Fund Balances</b>				
Invested in capital assets	-	361,056	361,056	477,718
Unrestricted	71,730	-	71,730	98,432
	71,730	361,056	432,786	576,150
Commitments (note 5)				
	\$ 711,807	361,056	1,072,863	1,023,668

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, 2012, with comparative information for 2011

	Operating Fund	Capital Fund	Total 2012	Total 2011
Revenue:				
Vancouver Island Health Authority:				
Operating grant and contract funding	\$ 3,199,912	-	3,199,912	3,607,376
M.S.P. recoveries	538,429	-	538,429	528,327
	3,738,341	-	3,738,341	4,135,703
Public support:				
Gaming, donations and fund raising	-	-	-	100,000
Publications, courses and services	350,995	-	350,995	356,392
Increase in cash surrender value of life insurance policies	6,403	-	6,403	5,760
Other	18,291	-	18,291	20,041
	375,689	-	375,689	482,193
Net donations from Victoria Hospice and Palliative Care Foundation (note 4)	1,987,954	29,665	2,017,619	1,584,617
Total revenue	6,101,984	29,665	6,131,649	6,202,513
Expenses:				
Amortization of capital assets	-	141,571	141,571	170,420
Bereavement	257,146	-	257,146	280,511
Communications	79,605	-	79,605	69,020
Corporate and administration	413,689	-	413,689	420,147
Counseling and spiritual	666,492	-	666,492	751,198
Learning centre division	125,966	-	125,966	137,595
Medical	671,881	-	671,881	675,926
Nursing: acute care	1,389,677	-	1,389,677	1,472,295
Nursing: community care	199,524	-	199,524	194,318
Nursing: extended care	1,104,015	-	1,104,015	1,038,004
Palliative response team	599,563	-	599,563	540,510
Projects and committees	128,697	-	128,697	110,465
Publications, courses and services	248,875	-	248,875	211,555
Research and development	115,189	-	115,189	117,651
Staff development and education	12,679	-	12,679	12,665
Volunteers	120,444	-	120,444	129,515
	6,133,442	141,571	6,275,013	6,331,795
Deficiency of revenue over expenses	(31,458)	(111,906)	(143,364)	(129,282)
Fund balances, beginning of year	98,432	477,718	576,150	705,432
Interfund transfers	4,756	(4,756)	-	-
Fund balances, end of year	\$ 71,730	361,056	432,786	576,150

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

## Statement of Cash Flows

Year ended March 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ (31,458)	\$ (10,739)
Capital Fund	(111,906)	(118,543)
	(143,364)	(129,282)
Items not involving cash:		
Amortization of capital assets	141,571	170,420
Amortization of deferred development costs	-	8,688
Write-down of inventories	36,159	-
Increase in cash surrender value of insurance policies	(6,403)	(5,760)
Changes in non-cash operating working capital (note 9)	(44,609)	85,971
	(16,646)	130,037
Investing:		
Purchase of capital assets	(24,909)	(57,922)
Increase (decrease) in cash	(41,555)	72,115
Cash, beginning of year	201,914	129,799
Cash, end of year	\$ 160,359	\$ 201,914

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2012

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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 generally accepted accounting principles. 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.

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.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2012

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

#### (c) Financial instruments:

The Society has classified its financial instruments as follows:

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Cash	held-for-trading
Accounts receivable	loans and receivables
Receivable from Victoria Hospice and Palliative Care Foundation	loans and receivables
Cash surrender value of life insurance policies	held-for-trading
Payable to Vancouver Island Health Authority	other financial liability
Holiday pay and accounts payable	other financial liability

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All financial instruments are included on the balance sheet and are initially measured at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are recognized in the statement of operations and changes in fund balances in the period in which they arise. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

The Society complies with CICA Handbook 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

#### (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.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2012

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

#### (f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. 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 has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances. Write-downs are not reversed.

#### (g) Deferred development costs:

The Society incurs costs to develop palliative care medical manuals and courses. The Society's policy is to defer these costs until the course or medical manual development is complete. Once complete, the costs are amortized over a 48-month period, which approximates management's estimate of the future economic benefits from these medical manuals and courses. Costs are carried at amounts which do not exceed the expected future cash flow benefits from the projects. Any adjustments to reduce the carrying values are reflected as additional amortization. Amortization expense is recorded under the caption "Publications, courses and services" in the statement of operations and changes in fund balances.

#### (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.



# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2012

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

#### (j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, deferred development costs and inventories. Actual results could differ from those estimates.

#### (k) Adoption of new accounting standards:

The Society will be transitioning to the Accounting Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook-Accounting beginning April 1, 2012. While the financial statement presentation and the accounting treatment of most items will not change from current practice, there are certain transitional provisions that the Society will apply when preparing the first financial statements under the new accounting standards. The impact of these transitional provisions on the financial statements of the Society has not yet been fully determined.

### 2. Life insurance policies:

	Cash surrender value	Future payout value
Balance, March 31, 2010	\$ 41,373	\$ 431,127
Net increase	5,760	(2,598)
Balance, March 31, 2011	47,133	428,529
Net increase	6,403	2,281
Balance, March 31, 2012	\$ 53,536	\$ 430,810

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2012

### 3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 828,210	\$ 752,013	\$ 76,197	\$ 106,067
Leasehold improvements	1,402,164	1,148,480	253,684	337,971
Art works and other	23,675	-	23,675	23,180
Vehicle	15,000	7,500	7,500	10,500
	\$ 2,269,049	\$ 1,907,993	\$ 361,056	\$ 477,718

### 4. Related organization:

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

	2012	2011
Operating grant	\$ 1,987,954	\$ 1,532,740
Capital grant	29,665	51,877
	\$ 2,017,619	\$ 1,584,617

The Society has an economic interest in the Foundation. The net assets 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, 2012, the Foundation's net assets were \$4,451,792 (2011 - \$4,000,004).

### 5. Commitments:

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

2013	\$ 65,118
2014	61,800
2015	37,698
2016	10,584
2017	7,125
Thereafter	4,956
	\$ 187,281

During 2012, the Society made lease payments of \$ 54,135 (2011 - \$57,511).

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 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 60% (2011 - 67%) 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. Financial instruments:

The carrying values of cash, accounts receivable, cash surrender value of life insurance policies, payable to the Vancouver Island Health Authority, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. It is management's opinion that the Society is not exposed to significant interest, currency or credit risk arising from its financial instruments.

### 8. Capital management:

The Society defines capital to be fund balances. The Society is not subject to any significant external restrictions on capital. The Society's objective when managing capital is to fund operations and capital asset additions with a strategy of monitoring operating performance and managing expenditures within the parameters of existing capital to maintain the long-term financial viability of the Society.

### 9. Supplemental cash flow information:

	2012	2011
Changes in non-cash operating working capital:		
Accounts receivable	\$ 50,909	\$ 11,971
Prepaid expenses	(552)	614
Inventories	8,086	2,819
Receivable from Foundation	(295,611)	568,814
Payable to Vancouver Island Health Authority	120,255	(317,911)
Accounts payable and accrued liabilities	75,647	(107,961)
Deferred revenue	(3,343)	(72,375)
	<u>\$ (44,609)</u>	<u>\$ 85,971</u>