
Financial Statements of

**VICTORIA HOSPICE AND
PALLIATIVE CARE FOUNDATION**

Year ended March 31, 2012



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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, 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 financial 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Victoria Hospice and Palliative Care Foundation derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Victoria Hospice and Palliative Care Foundation. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2012 and March 31, 2011, any adjustments might be necessary to revenue and excess (deficiency) of revenue over expenses reported in the statements of operations and changes in fund balances, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and fund balances reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2012.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Victoria Hospice and Palliative Care Foundation 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 principles applied by Victoria Hospice and Palliative Care Foundation 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.



Chartered Accountants

July 20, 2012

Victoria, Canada

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Financial Position

March 31, 2012, with comparative information for 2011

	Operating Fund	Restricted Funds	Total 2012	Operating Fund	Restricted Funds	Total 2011
Assets						
Current assets:						
Cash	\$ 1,420,381	-	1,420,381	620,030	-	620,030
Accounts receivable	98,104	-	98,104	90,643	-	90,643
Prepaid expenses	12,427	-	12,427	14,895	-	14,895
	1,530,912	-	1,530,912	725,568	-	725,568
Marketable securities	1,154,746	2,313,622	3,468,368	1,170,197	2,328,233	3,498,430
Long-term receivable (note 2)	178,934	-	178,934	178,934	-	178,934
Capital assets (note 3)	422	-	422	1,601	-	1,601
	\$ 2,865,014	2,313,622	5,178,636	2,076,300	2,328,233	4,404,533
Liabilities						
Current liabilities:						
Accounts payable	\$ 440,914	-	440,914	145,303	-	145,303
Payable to Victoria Hospice Society (note 4)	440,914	-	440,914	145,303	-	145,303
Long-term liabilities:						
Deferred contributions from irrevocable trusts	178,934	-	178,934	178,934	-	178,934
Deferred revenue (note 5)	107,056	-	107,056	80,292	-	80,292
	726,904	-	726,904	404,529	-	404,529
Fund Balances						
Unrestricted	2,137,688	-	2,137,688	1,670,170	-	1,670,170
Invested in capital assets	422	-	422	1,601	-	1,601
Externally restricted endowments - donor contributions	-	1,867,606	1,867,606	-	1,867,606	1,867,606
Internally restricted - retained investment earnings	-	446,016	446,016	-	460,627	460,627
	2,138,110	2,313,622	4,451,732	1,671,771	2,328,233	4,000,004
Commitments (note 8)	\$ 2,865,014	2,313,622	5,178,636	2,076,300	2,328,233	4,404,533

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, 2012, with comparative information for 2011

	Operating Fund	Restricted Funds (Schedule 1)	Total 2012	Operating Fund	Restricted Funds (Schedule 2)	Total 2011
Revenue:						
Fundraising	\$ 3,077,956	-	3,077,956	2,639,499	577,274	3,216,773
Interest and dividends	42,997	64,291	107,288	37,430	44,064	81,494
Investment valuation gains (losses)	(1,720)	(2,946)	(4,666)	82,174	114,359	196,533
Thrift boutique	245,625	-	245,625	246,461	-	246,461
	3,364,858	61,345	3,426,203	3,005,564	735,697	3,741,261
Expenses:						
Fundraising and administration	745,111	-	745,111	623,561	-	623,561
Thrift boutique	172,324	-	172,324	180,933	-	180,933
Investment management fees	13,022	25,220	38,242	12,557	19,113	31,670
Amortization	1,179	-	1,179	4,476	-	4,476
Net donations to Victoria Hospice Society (note 4):						
Operating grant	1,987,954	-	1,987,954	1,532,740	-	1,532,740
Capital grant	29,665	-	29,665	51,877	-	51,877
	2,949,255	25,220	2,974,475	2,406,144	19,113	2,425,257
Excess of revenue over expenses	415,603	36,125	451,728	599,420	716,584	1,316,004
Transfers (note 9)	50,736	(50,736)	-	40,766	(40,766)	-
Fund balances, beginning of year	1,671,771	2,328,233	4,000,004	1,031,585	1,652,415	2,684,000
Fund balances, end of year	\$ 2,138,110	2,313,622	4,451,732	1,671,771	2,328,233	4,000,004

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Cash Flows

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

	2012	2011
Operating activities:		
Excess of revenue over expenses:		
Operating Fund	\$ 415,603	\$ 599,420
Investment Income Fund	36,125	139,310
Barbara Steel Endowment Fund	-	577,274
	451,728	1,316,004
Items not involving cash:		
Amortization	1,179	4,476
Unrealized loss (gain) on marketable securities	30,062	(165,167)
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(7,461)	103,121
Decrease (increase) in prepaid expenses	2,468	(4,253)
Decrease (increase) in long-term receivable	-	(1,692)
Increase (decrease) in payable to Victoria Hospice Society	295,611	(568,814)
Increase in deferred revenue	26,764	8,437
	800,351	692,112
Investing activities:		
Purchase of marketable securities	-	(610,779)
Increase in cash	800,351	81,333
Cash, beginning of year	620,030	538,697
Cash, end of year	\$ 1,420,381	\$ 620,030

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

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. The Foundation's principal activity is to raise funds to provide 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 generally accepted accounting principles. 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 Investment Income Fund is an internally restricted fund that includes investment income, defined as interest and dividends, earned on the Restricted Funds and related portfolio management fees. Realized and unrealized investment valuation gains or losses are also recorded in the Investment Income Fund and are transferred based on the framework governing endowment funds.
- (ii) The Education Endowment Fund includes: (a) externally restricted donations totaling \$229,295 (2011 - \$229,295) which the donor specifies that the principal is to be held intact in perpetuity and has restricted their use to educational purposes, and (b) internally restricted earnings totaling \$46,728 (2011 - \$50,264) on related Foundation investments.
- (iii) The Butchart and Friends Endowment Fund includes: (a) externally restricted donations of \$100,000 (2011 - \$100,000) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings totaling \$30,147 (2011 - \$31,963) on related Foundation investments.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

(iv) The Barbara Steel Endowment Fund includes: (a) externally restricted donations of \$577,274 (2011 – \$577,274) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings of \$7,022 (2011 – nil) on related Foundation investments.

(v) The General Endowment Fund includes: (a) externally restricted donations totaling \$961,037 (2011 – \$961,037) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings totaling \$362,118 (2011 – \$378,115) on related Foundation investments.

(b) Revenue recognition:

The Foundation receives support from various donors and allows for restrictions on the use of the donations. Unrestricted 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. Externally restricted contributions, other than endowment contributions, 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.

(c) Financial instruments:

The Foundation has classified its financial instruments as follows:

Cash	held-for-trading
Accounts receivable	loans and receivables
Marketable securities	held-for-trading
Long-term receivable	loans and receivables
Accounts payable	other financial liability
Payable to Victoria Hospice Society	other financial liability

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

Marketable securities consist of pooled fund investments, held with the Victoria Foundation, which are classified as held-for-trading and are recorded at market value with changes in value recorded in the statement of operations. 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 1% fee is payable upon retraction.

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

(d) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization of leasehold improvements is provided using the straight-line basis over the lesser of the initial lease term and useful life. Amortization of office equipment is calculated on a straight-line basis over a five year period.

(e) 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.

(f) Gifts in kind:

Gifts in kind of financial instruments and goods that would otherwise be paid for by the Foundation are recorded at the estimated fair market value on date of receipt.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(g) Investment income:

Interest and dividend income earned in the Investment Income Fund relating to the Butchart and Friends Endowment, Barbara Steel Endowment and General Endowment Funds totaling \$64,291 (2011 - \$44,064) is considered unrestricted and the income is transferred to the Operating Fund with no restriction placed on its expenditure.

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

(h) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

(i) 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 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.

(j) Adoption of new accounting standards:

The Foundation 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 Foundation 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 Foundation has not yet been fully determined.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

2. Long-term receivable:

Long-term receivable includes \$178,934 (2011 - \$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.

3. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Equipment	\$ 18,431	\$ 18,009	\$ 422
Total	\$ 18,431	\$ 18,009	\$ 422

2011	Cost	Accumulated amortization	Net book value
Equipment	\$ 18,431	\$ 16,830	\$ 1,601
Total	\$ 18,431	\$ 16,830	\$ 1,601

4. Related organization:

Net donations to the Society:

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

The Foundation has an economic interest in the Society. The net assets and results of operations of the Society have not been included in these financial statements. The Society is a separate tax exempt organization, which 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, 2012, the Society's total net assets were \$432,786 (2011 - \$576,150).

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

5. Deferred revenue:

During the year ended March 31, 2012, the Foundation received restricted contributions totaling \$199,363 (2011 - \$151,977). Interest and dividend income of \$8,864 (2011 - \$7,347) was allocated to deferred revenue in the Operating Fund from interest and dividends earned in the Education Endowment Fund. The total amount included in fundraising and disbursed during the year ended March 31, 2012, according to restrictions placed by donors, was \$172,599 (2011 - \$151,600).

6. Financial instruments:

(a) Fair value:

The Foundation's marketable securities are reported at fair value on the statement of financial position. The carrying values of cash, accounts receivable and accounts payable approximate their fair value due to the relatively short-term nature of these items or because they are receivable or payable on demand. The long-term receivable is actuarially valued at the time charitable remainder trust arrangements are established.

(b) 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. As all of the Foundation's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances, all changes in market conditions will directly result in an increase or decrease in fund balances. Market price risk is managed by the manager of the marketable securities through construction of a diversified portfolio of instruments traded on various markets and across various industries.

7. Capital management:

The Foundation defines capital to be net assets. The Foundation is subject to certain donor restrictions on capital and has complied with all such provisions. The Foundation's objective when managing capital is to fund operations and capital asset additions with a strategy of monitoring operating performance and managing donations and expenditures within the parameters of existing capital to maintain the long-term financial viability of the Foundation.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

8. Commitments:

The Foundation is committed to minimum annual lease payments for retail and office space as well as office equipment as follows:

2013	\$	51,936
2014		51,936
2015		51,936
2016		51,936
		<hr/>
		\$ 207,744

During 2012, the Foundation made lease payments of \$116,892 (2011 - \$117,640).

The Foundation is committed to donations of \$2.4 million to Victoria Hospice Society for the year ending March 31, 2013.

9. Transfers:

Interfund transfers between the Operating Fund and Restricted Funds are allocations of investment income and investment management fees from the Restricted Funds to the Operating Fund.

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

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Schedule of Restricted Fund Operations

Schedule 1

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

2012	Investment Income Fund	Education Endowment Fund	Butchart and Friends Endowment Fund	Barbara Steel Endowment Fund	General Endowment Fund	Total 2012
Revenue:						
Fund raising	\$ -	-	-	-	-	-
Interest and dividends:						
Butchart and Friends Endowment Fund	4,095	-	-	-	-	4,095
Barbara Steel Endowment Fund	18,257	-	-	-	-	18,257
General Endowment Fund	41,939	-	-	-	-	41,939
Investment valuation losses:						
Education Endowment Fund	(403)	-	-	-	-	(403)
Butchart and Friends Endowment Fund	(372)	-	-	-	-	(372)
Barbara Steel Endowment Fund	(267)	-	-	-	-	(267)
General Endowment Fund	(1,904)	-	-	-	-	(1,904)
	61,345	-	-	-	-	61,345
Expenses:						
Investment management fees	25,220	-	-	-	-	25,220
Excess of revenue over expenses	36,125	-	-	-	-	36,125
Transfers (note 9)	(36,125)	(3,536)	(1,816)	6,737	(15,997)	(50,736)
Fund balances, beginning of year	-	279,559	131,963	577,559	1,339,152	2,328,233
Fund balances, end of year	\$ -	276,023	130,147	584,296	1,323,155	2,313,622

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Schedule of Restricted Fund Operations

Schedule 2

Year ended March 31, 2011, with comparative information for 2010

2011	Investment Income Fund	Education Endowment Fund	Butchart and Friends Endowment Fund	Barbara Steel Endowment Fund	General Endowment Fund	Total 2011
Revenue:						
Fund raising	\$ -	-	-	577,274	-	577,274
Interest and dividends:						
Butchart and Friends Endowment Fund	3,951	-	-	-	-	3,951
Barbara Steel Endowment Fund	869	-	-	-	-	869
General Endowment Fund	39,244	-	-	-	-	39,244
Investment valuation gains (loss):						
Education Endowment Fund	18,656	-	-	-	-	18,656
Butchart and Friends Endowment Fund	8,854	-	-	-	-	8,854
Barbara Steel Endowment Fund	(200)	-	-	-	-	(200)
General Endowment Fund	87,049	-	-	-	-	87,049
	158,423	-	-	577,274	-	735,697
Expenses:						
Investment management fees	19,113	-	-	-	-	19,113
Excess of revenue over expenses	139,310	-	-	577,274	-	716,584
Transfers (note 9)	(139,310)	15,973	7,734	285	74,552	(40,766)
Fund balances, beginning of year	-	263,586	124,229	-	1,264,600	1,652,415
Fund balances, end of year	\$ -	279,559	131,963	577,559	1,339,152	2,328,233