

Financial Statements of

**VICTORIA HOSPICE SOCIETY**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Hospice Society

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the financial statements of Victoria Hospice Society (the Society), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Society as at March 31, 2019, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

### **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied 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

Victoria, Canada  
July 27, 2019

# VICTORIA HOSPICE SOCIETY

## Statement of Financial Position


March 31, 2019, with comparative information for 2018

	Operating Fund	Capital Fund	2019 Total	2018 Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 3,079,478	\$ -	\$ 3,079,478	\$ 1,457,732
Investments (note 2)	1,000,000	-	1,000,000	1,000,000
Accounts receivable	1,294,717	-	1,294,717	134,641
Prepaid expenses	29,629	-	29,629	15,305
Inventories	9,613	-	9,613	9,616
	5,413,437	-	5,413,437	2,617,294
Cash surrender value of life insurance policies (note 4)	99,112	-	99,112	91,585
Capital assets (note 5)	-	258,617	258,617	271,188
	\$ 5,512,549	\$ 258,617	\$ 5,771,166	\$ 2,980,067
<b>Liabilities</b>				
Current liabilities:				
Payable to Island Health	\$ 433,940	\$ -	\$ 433,940	\$ 244,865
Accounts payable and accrued liabilities	552,288	-	552,288	354,044
Payable to Victoria Hospice and Palliative Care Foundation	2,945,229	-	2,945,229	1,699,714
Deferred revenue	292,751	-	292,751	284,015
	4,224,208	-	4,224,208	2,582,638
<b>Fund Balances</b>				
Invested in capital assets	-	258,617	258,617	271,188
Internally restricted – strategic initiatives (note 11)	1,250,000	-	1,250,000	-
Unrestricted	38,341	-	38,341	126,241
	1,288,341	258,617	1,546,958	397,429
Commitments (note 6)				
	\$ 5,512,549	\$ 258,617	\$ 5,771,166	\$ 2,980,067

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, 2019, with comparative information for 2018

	2019			2018		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
Revenue:						
Island Health (note 7):						
Operating grant and contract funding	\$ 4,304,002	-	4,304,002	\$ 4,172,415	-	4,172,415
M.S.P. recoveries	713,903	-	713,903	663,506	-	663,506
	5,017,905	-	5,017,905	4,835,921	-	4,835,921
Public support:						
Gaming	9,880	-	9,880	-	-	-
Donations and fundraising	7,126,545	-	7,126,545	5,241,394	-	5,241,394
Courses and research projects	382,809	-	382,809	247,978	-	247,978
Increase (decrease) in cash surrender value of life insurance	7,527	-	7,527	(30,860)	-	(30,860)
Other	78,966	-	78,966	60,353	-	60,353
	7,605,727	-	7,605,727	5,518,865	-	5,518,865
Donations from Victoria Hospice Palliative Care Foundation (note 3)	371,151	-	371,151	305,915	-	305,915
Total revenue	12,994,783	-	12,994,783	10,660,701	-	10,660,701
Expenses:						
Amortization of capital assets	-	86,107	86,107	-	68,517	68,517
Bereavement	261,165	-	261,165	277,470	-	277,470
Communications	90,791	-	90,791	74,288	-	74,288
Corporate and administration	954,663	-	954,663	990,424	-	990,424
Counseling and spiritual	730,093	-	730,093	664,012	-	664,012
Education and research	419,343	-	419,343	391,989	-	391,989
Fund development and planned giving	823,402	-	823,402	729,215	-	729,215
Medical	887,959	-	887,959	842,619	-	842,619
Nursing	3,193,316	-	3,193,316	3,096,654	-	3,096,654
Palliative response team	899,193	-	899,193	829,948	-	829,948
Projects and committees	89,589	-	89,589	90,634	-	90,634
Courses and projects	240,263	-	240,263	208,892	-	208,892
Donations to Victoria Hospice Palliative Care Foundation (note 3)	2,998,209	-	2,998,209	2,236,282	-	2,236,282
Volunteers	171,161	-	171,161	142,684	-	142,684
Total expenses	11,759,147	86,107	11,845,254	10,575,111	68,517	10,643,628
Excess (deficiency) of revenue over expenses	1,235,636	(86,107)	1,149,529	85,590	(68,517)	17,073
Fund balances, beginning of year	126,241	271,188	397,429	145,753	234,603	380,356
Inter-fund transfers (note 10)	(73,536)	73,536	-	(105,102)	105,102	-
Fund balances, end of year	\$ 1,288,341	258,617	1,546,958	\$ 126,241	271,188	397,429

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 1,235,636	\$ 85,590
Capital Fund	(86,107)	(68,517)
	<u>1,149,529</u>	<u>17,073</u>
Items not involving cash:		
Amortization of capital assets	86,107	68,517
Decrease (increase) in cash surrender value of life insurance policies	(7,527)	30,860
Changes in non-cash operating working capital (note 8)	467,173	(2,761,099)
	<u>1,695,282</u>	<u>(2,644,649)</u>
Investing:		
Maturity purchase of investments	-	2,550,000
Purchase of capital assets	(73,536)	(105,102)
	<u>(73,536)</u>	<u>2,444,898</u>
Increase (decrease) in cash and cash equivalents	1,621,746	(199,751)
Cash and cash equivalents, beginning of year	1,457,732	1,657,483
Cash and cash equivalents, end of year	<u>\$ 3,079,478</u>	<u>\$ 1,457,732</u>

See accompanying notes to financial statements.

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2019

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The Victoria Hospice Society (the "Society") is incorporated under the Societies 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. On April 13, 2018, the Society transitioned 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 reports unrestricted assets, liabilities, general operating revenue and expenses of the Society as well as those internally restricted by the Society for future operations.

#### **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 three months or less when acquired and investments in money market instruments. Included in cash and cash equivalents is \$138,431 (2018 – nil) of unspent monies held in trust for the Shared Care Cardiology Project.



# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2019

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

#### (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 "Courses and projects" 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

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# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2019

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### 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. 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 Island Health, 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 \$6,941 (2018 - \$12,361) 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.

(k) 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 \$1,000,000 term deposit bearing interest at 2.4% with a maturity date of March 19, 2020.

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2019

### 3. Victoria Hospice and Palliative Care Foundation:

Directors from the Society board constitute the majority of the board members of the Victoria Hospice and Palliative Care Foundation (the "Foundation") board. The Foundation is incorporated under the Societies 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"):

	2019	2018
Operating grant	\$ 371,151	\$ 305,915
Donation to Foundation	(2,998,209)	(2,236,282)
	(2,627,058)	(1,930,367)
Deferred operating grant	16,151	12,579
	\$ (2,610,907)	\$ (1,917,788)

The Foundation has not been consolidated in the Society's financial statements. A financial summary of the Foundation as at March 31, 2019 and for the years then ended is as follows:

#### Victoria Hospice and Palliative Care Foundation

<b>Financial Position</b>	2019	2018
Total assets	\$ 17,636,739	\$ 14,515,214
Total liabilities	(95,601)	(95,601)
Fund balances	\$ 17,541,138	\$ 14,419,613
<b>Results of Operations</b>	2019	2018
Total revenue	\$ 3,583,211	\$ 2,615,606
Total expenses	(461,686)	(400,258)
Excess of revenue over expenses	\$ 3,121,525	\$ 2,215,348
<b>Cash Flows</b>	2019	2018
Operating activities	\$ 1,823,467	\$ 4,861,764
Investing activities	(65,103)	(5,036,526)
Increase (decrease) in cash	\$ 1,758,364	\$ (174,762)

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2019

### 4. Life insurance policies:

	Cash surrender value	Future payout value
Balance, March 31, 2017	\$ 122,445	\$ 483,282
Net decrease	(30,860)	(143,800)
Balance, March 31, 2018	91,585	339,482
Net increase	7,527	48,149
Balance, March 31, 2019	\$ 99,112	\$ 387,631

During the year ended March 31, 2018, one of the life insurance policies held was paid out.

### 5. Capital assets:

March 31, 2019	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,268,552	\$ 1,053,646	\$ 214,906
Leasehold improvements	1,412,512	1,412,512	-
Vehicle	36,908	33,217	3,691
Art works and other	26,295	-	26,295
Work-in-progress	13,725	-	13,725
	\$ 2,757,992	\$ 2,499,375	\$ 258,617

March 31, 2018	Cost	Accumulated amortization	Net book value
Equipment	\$ 1,195,016	\$ 974,921	\$ 220,095
Leasehold improvements	1,412,512	1,412,512	-
Vehicle	36,908	25,835	11,073
Art works and other	26,295	-	26,295
Work-in-progress	13,725	-	13,725
	\$ 2,684,456	\$ 2,413,268	\$ 271,188

Contributed capital assets have been recognized at fair market value at the date of contribution. During the year ended March 31, 2019, the Society wrote down nil (2018 - \$13,676) work-in-progress based on its estimated residual value.

# VICTORIA HOSPICE SOCIETY

## Notes to Financial Statements

Year ended March 31, 2019

### 6. Commitments:

The Society is committed to minimum annual lease payments under various operating leases for office and computer equipment and space rental of #102-4450 Chatterton Way, commencing May 1, 2019, as follows:

2020	\$	101,002
2021		138,056
2022		105,540
2023		92,881
2024 and thereafter		99,269
	\$	536,748

During 2019, the Society made lease payments of \$95,203 (2018 - \$92,938).

### 7. Island Health:

The Society receives certain services including utilities, laundry services and housekeeping from Island Health 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 Island Health 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. Under the terms of Island Health's union contracts, employees with ten 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 Island Health. The Society has responsibility for any and all extra costs and liabilities associated with Society initiated terminations.

### 8. Supplemental cash flow information:

	2019	2018
Changes in non-cash operating working capital:		
Accounts receivable	\$ (1,160,076)	\$ (51,331)
Prepaid expenses	(14,324)	(8,320)
Inventories	3	6,202
Accounts payable and accrued liabilities	198,244	12,782
Payable to Island Health	189,075	(164,323)
Payable to Foundation	1,245,515	(2,663,748)
Deferred revenue	8,736	107,639
	\$ 467,173	\$ (2,761,099)

# VICTORIA HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2019

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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 2018.

## 10. Interfund transfers:

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

## 11. Internal restrictions:

During the year, the Society internally restricted \$1,250,000 of the current year unrestricted operating fund surplus to fund budgeted expenditures for strategic initiatives to be implemented in the fiscal year ending March 31, 2020.

## 12. 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 the top ten individuals whose remuneration was greater than \$75,000. For the fiscal year ending March 31, 2019, the Society paid remuneration of \$1,120,408 to ten employees and contractors (2018 - \$1,161,136 to ten 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.