

Financial Statements of

**VICTORIA HOSPICE AND PALLIATIVE
CARE FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Hospice and Palliative Care Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Victoria Hospice and Palliative Care Foundation (the Foundation), which comprise:

- the statement of financial position as at March 31, 2022
- 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 Foundation as at March 31, 2022, 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 Foundation 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation's 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
September 1, 2022

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

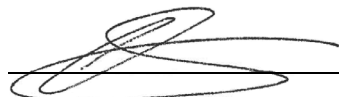
Statement of Financial Position

March 31, 2022, with comparative information for 2021

| | 2022 | | | 2021 | | |
|--|----------------|------------------|------------|----------------|------------------|------------|
| | Operating Fund | Restricted Funds | Total | Operating Fund | Restricted Funds | Total |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 3,045,465 | 2,361,167 | 5,406,632 | \$ 1,468,996 | 3,000,000 | 4,468,996 |
| Receivable from Victoria Hospice Society | 1,300,000 | - | 1,300,000 | 1,021,083 | - | 1,021,083 |
| Prepaid expenses | - | - | - | 2,623 | - | 2,623 |
| Accrued interest receivable | 20,949 | - | 20,949 | 44,400 | - | 44,400 |
| Term deposits (note 2) | - | 6,000,000 | 6,000,000 | 638,832 | 5,361,168 | 6,000,000 |
| | 4,366,414 | 8,361,167 | 12,727,581 | 3,175,934 | 8,361,168 | 11,537,102 |
| Marketable securities (note 3) | - | 8,256,750 | 8,256,750 | - | 8,123,761 | 8,123,761 |
| Long-term receivable (note 4) | 95,601 | - | 95,601 | 95,601 | - | 95,601 |
| | \$ 4,462,015 | 16,617,917 | 21,079,932 | \$ 3,271,535 | 16,484,929 | 19,756,464 |
| Liabilities | | | | | | |
| Deferred contributions from irrevocable trusts | \$ 95,601 | - | 95,601 | \$ 95,601 | - | 95,601 |
| Payable to Victoria Hospice Society | 32,118 | - | 32,118 | - | - | - |
| Fund Balances | | | | | | |
| Unrestricted | 4,334,296 | - | 4,334,296 | 3,175,934 | - | 3,175,934 |
| Externally restricted endowments - donor contributions | - | 2,105,890 | 2,105,890 | - | 2,105,890 | 2,105,890 |
| Internally restricted - operating contingency reserve | - | 6,512,027 | 6,512,027 | - | 6,379,039 | 6,379,039 |
| Internally restricted - capital reserve | - | 8,000,000 | 8,000,000 | - | 8,000,000 | 8,000,000 |
| | 4,334,296 | 16,617,917 | 20,952,213 | 3,175,934 | 16,484,929 | 19,660,863 |
| | \$ 4,462,015 | 16,617,917 | 21,079,932 | \$ 3,271,535 | 16,484,929 | 19,756,464 |

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, 2022, with comparative information for 2021

| | 2022 | | | 2021 | | |
|--|---------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| | Operating Fund | Restricted Funds | Total | Operating Fund | Restricted Funds | Total |
| Revenue: | | | | | | |
| Donations from Victoria Hospice Society (note 5) | \$ 1,300,000 | - | 1,300,000 | \$ 642,443 | - | 642,443 |
| Interest and dividends (note 8) | 239,755 | - | 239,755 | 342,641 | - | 342,641 |
| Investment valuation gains (note 8) | 348,055 | - | 348,055 | 1,423,195 | - | 1,423,195 |
| | <u>1,887,810</u> | <u>-</u> | <u>1,887,810</u> | <u>2,408,279</u> | <u>-</u> | <u>2,408,279</u> |
| Expenses: | | | | | | |
| Fundraising and administration | 2,623 | - | 2,623 | 4,252 | - | 4,252 |
| Investment management fees | 59,997 | - | 59,997 | 55,153 | - | 55,153 |
| Donations to Victoria Hospice Society (note 5) | 533,840 | - | 533,840 | 501,764 | - | 501,764 |
| | <u>596,460</u> | <u>-</u> | <u>596,460</u> | <u>561,169</u> | <u>-</u> | <u>561,169</u> |
| Excess of revenue over expenses | 1,291,350 | - | 1,291,350 | 1,847,110 | - | 1,847,110 |
| Transfers (note 7): | | | | | | |
| Investment income | (132,988) | 132,988 | - | (1,239,039) | 1,239,039 | - |
| Capital reserve fund | - | - | - | (3,000,000) | 3,000,000 | - |
| Operating contingency reserve fund | - | - | - | - | - | - |
| Fund balances, beginning of year | 3,175,934 | 16,484,929 | 19,660,863 | 5,567,863 | 12,245,890 | 17,813,753 |
| Fund balances, end of year | <u>\$ 4,334,296</u> | <u>16,617,917</u> | <u>20,952,213</u> | <u>\$ 3,175,934</u> | <u>16,484,929</u> | <u>19,660,863</u> |

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Operating activities: | | |
| Excess of revenue over expenses: | | |
| Operating Fund | \$ 1,291,350 | \$ 1,847,110 |
| Items not involving cash: | | |
| Unrealized loss (gain) on marketable securities | 164,093 | (1,136,036) |
| Changes in non-cash operating working capital: | | |
| Increase in receivable from Victoria Hospice Society | (278,917) | (89,471) |
| Decrease (increase) in prepaid expenses | 2,623 | (2,623) |
| Decrease in accrued interest receivable | 23,451 | 40,170 |
| Increase in payable to Victoria Hospice Society | 32,118 | - |
| | <u>1,234,718</u> | <u>659,150</u> |
| Investing activities: | | |
| Maturity of term deposits | - | 3,000,000 |
| Reinvested investment income, net of investment management fees | (608,881) | (396,655) |
| Distributions from marketable securities | 311,799 | 293,112 |
| | <u>(297,082)</u> | <u>2,896,457</u> |
| Increase in cash and cash equivalents | 937,636 | 3,555,607 |
| Cash and cash equivalents, beginning of year | 4,468,996 | 913,389 |
| Cash and cash equivalents, end of year | <u>\$ 5,406,632</u> | <u>\$ 4,468,996</u> |

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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 manage endowment funds and other investments to fund the provision of palliative care, counseling, bereavement support, research and education.

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

On November 28, 2016, the new Societies Act (British Columbia) became effective. On April 13, 2018, the Foundation transitioned to the new Act.

1. Significant accounting policies:

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following is a summary of the significant accounting policies.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions.

Operating Fund:

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

Restricted Funds:

- (i) The Education Endowment Fund includes externally restricted donations which the donor specifies that the principal is to be held intact in perpetuity and has restricted their use to educational purposes.
- (ii) The Butchart and Friends Endowment Fund, Barbara Steel Endowment Fund, Helen Sawyer Endowment Fund and General Endowment Fund include externally restricted donations for which the donors specify that the principal is to be held intact in perpetuity.
- (iii) The Operating Contingency Reserve is internally restricted and is set aside for the Victoria Hospice Society to maintain continuity of essential care activities in the event that public contributions are significantly less than budget. The Operating Contingency Reserve was established to support operations in the case of a 50% shortfall in estimated non-contract revenue over a two year period.
- (iv) The Capital Reserve fund is internally restricted and is set aside for the development and acquisition of a new Victoria Hospice facility.

(b) Revenue recognition:

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

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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) Investment income:

Investment income, net of distributions and management fees earned relating to the Butchart and Friends Endowment, Barbara Steel Endowment, General Endowment and Helen Sawyer Funds totaling \$52,367 (2021 - \$488,122) is considered unrestricted and the income is recognized in the Operating Fund with no restriction placed on its expenditure.

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

(e) Financial instruments:

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

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

1. Significant accounting policies (continued):

(f) Charitable remainder trusts:

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

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Items subject to such estimates and assumptions include the carrying amount of the long-term receivable. Actual results could differ from those estimates.

2. Term deposits:

Term deposits consists of a \$6,000,000 guaranteed investment certificate (GIC) bearing interest at 0.72% with a maturity date of October 6, 2022.

3. Marketable securities:

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

The Victoria Foundation publishes an annual fund listing to report the market value of funds held and invested on behalf of hosted and other organizations. The Foundation's marketable securities are reported in six named funds according to their original hosted organization fund agreements with the Victoria Foundation. The named fund balances with the Victoria Foundation contain both restricted and unrestricted funds of the Foundation. Details of the Foundation's restricted funds are provided in note 9.

4. Long-term receivable:

Long-term receivable includes \$95,601 (2021 - \$95,601) 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.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

5. Related organization:

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

| | 2022 | 2021 |
|--------------------------|---------------------|---------------------|
| Operating grant | \$ 511,656 | \$ 473,065 |
| Deferred operating grant | 7,830 | 8,199 |
| Capital grant | 14,354 | 20,500 |
| Donation from Society | (1,300,000) | (642,443) |
| | <u>\$ (766,160)</u> | <u>\$ (140,679)</u> |

During 2022, the Victoria Hospice Society made an unrestricted donation of \$1,300,000 (2021 - \$642,443).

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

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

The Society provides certain administrative services without charge to the Foundation.

As at March 31, 2022, the Society's fund balances were \$1,894,122 (2021 - \$1,749,562).

6. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Foundation assesses the credit quality of the counter parties, dealing only with high credit quality financial institutions, taking into account their financial position, past experience, and other factors.

(b) Liquidity risk:

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

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

6. Financial risks and concentration of credit risk (continued):

(c) Market price risk:

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

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

There has been no change to the risk exposures from 2021.

7. Interfund transfers:

Interfund transfers between the Operating Fund and the Restricted Funds are allocations of unrestricted investment income net of investment management fee expenses to each of the endowment funds and the operating funds held with the Victoria Foundation.

Interfund transfers between the Operating Fund and the Operating Contingency Reserve and the Capital Reserve fund are allocations of unrestricted earnings to the reserves. During the year, there were no transfers to internally restricted reserves (2021 - \$3,000,000 was internally restricted to the operating contingency reserve).

8. Investment income:

| | 2022 | 2021 |
|-----------------------------------|-------------------|---------------------|
| Interest and dividends | \$ 239,755 | \$ 342,641 |
| Realized capital gains | 512,148 | 287,159 |
| Unrealized capital (losses) gains | (164,093) | 1,136,036 |
| | <u>\$ 587,810</u> | <u>\$ 1,765,836</u> |

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

9. Restricted fund balances:

| | 2022 | 2021 |
|---|----------------------|----------------------|
| Externally restricted endowments - donor contributions: | | |
| Education Endowment Fund | \$ 229,295 | \$ 229,295 |
| Butchart and Friends Endowment Fund | 150,000 | 150,000 |
| Barbara Steel Endowment Fund | 577,274 | 577,274 |
| Helen Sawyer Endowment Fund | 50,000 | 50,000 |
| General Endowment Fund | 1,099,321 | 1,099,321 |
| | <u>2,105,890</u> | <u>2,105,890</u> |
| Internally restricted - Operating Contingency reserve | 6,512,027 | 6,379,039 |
| Internally restricted - Capital Reserve | 8,000,000 | 8,000,000 |
| | <u>14,512,027</u> | <u>14,379,039</u> |
| | <u>\$ 16,617,917</u> | <u>\$ 16,484,929</u> |