

Financial Statements of

**VICTORIA HOSPICE AND
PALLIATIVE CARE FOUNDATION**

Year ended March 31, 2016



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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, 2016, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Victoria Hospice and Palliative Care Foundation as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the 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 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

August 4, 2016
Victoria, Canada

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	Operating Fund	Restricted Funds	Total 2016	Operating Fund	Restricted Funds	Total 2015
Assets						
Current assets						
Cash and cash equivalents	\$ 224,381	-	224,381	\$ 253,155	-	253,155
Accounts receivable	-	-	-	76,895	-	76,895
	224,381	-	224,381	330,050	-	330,050
Marketable securities (note 2)	3,738,631	2,969,319	6,707,950	3,393,175	3,139,965	6,533,140
Long-term receivable (note 3)	178,934	-	178,934	178,934	-	178,934
	\$ 4,141,946	2,969,319	7,111,265	\$ 3,902,159	3,139,965	7,042,124
Liabilities						
Current liabilities:						
Accounts payable	\$ -	-	-	\$ 1,351	-	1,351
Payable to Victoria Hospice Society (note 4)	44,346	-	44,346	9,915	-	9,915
	44,346	-	44,346	11,266	-	11,266
Deferred contributions from irrevocable trusts	178,934	-	178,934	178,934	-	178,934
	223,280	-	223,280	190,200	-	190,200
Fund Balances						
Unrestricted	3,918,666	-	3,918,666	3,711,959	-	3,711,959
Externally restricted endowments - donor contributions	-	1,917,606	1,917,606	-	1,917,606	1,917,606
Internally restricted - retained investment earnings	-	1,051,713	1,051,713	-	1,222,359	1,222,359
	3,918,666	2,969,319	6,887,985	3,711,959	3,139,965	6,851,924
	\$ 4,141,946	2,969,319	7,111,265	\$ 3,902,159	3,139,965	7,042,124

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, 2016, with comparative information for 2015

		Operating Fund	Restricted Funds (Schedule 1)	Total 2016	Operating Fund	Restricted Funds (Schedule 2)	Total 2015
Revenue:							
Interest and dividends	\$	159,672	132,779	292,451	\$	116,296	220,062
Investment valuation gains (losses) (note 5)		(185,504)	(165,249)	(350,753)		261,256	504,205
		(25,832)	(32,470)	(58,302)		377,552	724,267
Expenses:							
Fundraising and administration		2,026	-	2,026		5,642	5,642
Development and planned giving		12,399	-	12,399		-	-
Investment management fees		37,781	32,373	70,154		34,805	67,199
Amortization		-	-	-		634	634
Net donations to (from) Victoria Hospice Society (note 4):		(178,942)	-	(178,942)		178,060	178,060
		(126,736)	32,373	(94,363)		219,141	251,535
Excess (deficiency) of revenue over expenses		100,904	(64,843)	36,061		158,411	472,732
Transfers (note 7)		105,803	(105,803)	-		93,671	-
Fund balances, beginning of year		3,711,959	3,139,965	6,851,924		3,459,877	6,379,192
Fund balances, end of year	\$	3,918,666	2,969,319	6,887,985	\$	3,711,959	6,851,924

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Operating activities:		
Excess of revenue over expenses:		
Operating Fund	\$ 100,904	\$ 158,411
Investment Income Fund	(64,843)	314,321
	36,061	472,732
Items not involving cash:		
Amortization	-	634
Unrealized loss (gain) on marketable securities	556,778	(347,751)
Changes in non-cash operating working capital:		
Decrease in accounts receivable	76,895	45,409
Decrease in prepaid and donated fundraising inventory	-	22,472
Increase (decrease) in accounts payable	(1,351)	501
Increase (decrease) in payable to Victoria Hospice Society	34,431	(539,501)
Decrease in deferred revenue	-	(204,077)
	702,814	(549,581)
Investing activities:		
Purchase of marketable securities	(500,000)	-
Reinvested investment income, net of investment management fees	(427,888)	(304,545)
Distributions from marketable securities	196,300	156,821
	(731,588)	(147,724)
Decrease in cash and cash equivalents	(28,774)	(697,305)
Cash and cash equivalents, beginning of year	253,155	950,460
Cash and cash equivalents, end of year	\$ 224,381	\$ 253,155

See accompanying notes to financial statements.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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 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 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 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 (2015 - \$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 \$110,464 (2015 - \$129,974) on related Foundation investments.
- (iii) The Butchart and Friends Endowment Fund includes: (a) externally restricted donations of \$100,000 (2015 - \$100,000) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings totaling \$60,264 (2015 - \$69,420) on related Foundation investments.
- (iv) The Barbara Steel Endowment Fund includes: (a) externally restricted donations of \$577,274 (2015 - \$577,274) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings of \$141,768 (2015 - \$183,059) on related Foundation investments.
- (v) The Helen Sawyer Endowment Fund includes: (a) externally restricted donations totaling \$50,000 (2015 - \$50,000) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings totaling \$68,036 (2015 - \$75,032) on related Foundation investments.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

- (vi) The General Endowment Fund includes: (a) externally restricted donations totaling \$961,037 (2015 - \$961,037) for which the donor specifies that the principal is to be held intact in perpetuity, and (b) internally restricted earnings totaling \$671,181 (2015 - \$764,874) on related Foundation investments.

(b) Revenue recognition:

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

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash, short-term investments with original maturity dates of 91 days or less when acquired and investments in money market instruments.

(d) Investment income:

Interest and dividend income earned in the Investment Income Fund relating to the Butchart and Friends Endowment, Barbara Steel Endowment, General Endowment and Helen Sawyer Funds totaling \$117,581 (2015 - \$91,889) is considered unrestricted and the income is transferred to 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 1% fee is 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.

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

(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. Significant items subject to such estimates and assumptions include the carrying amount of the long-term receivable. Actual results could differ from those estimates.

(h) Comparative information:

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

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

2. 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.

3. Long-term receivable:

Long-term receivable includes \$178,934 (2015 - \$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.

4. Related organization:

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

	2016	2015
Operating grant	\$ 255,575	\$ 90,378
Capital grant	65,483	87,682
Donation from Society	(500,000)	-
	<u>\$ (178,942)</u>	<u>\$ 178,060</u>

During 2016, the Victoria Hospice Society made an unrestricted donation of \$500,000 (2015 - nil) to the Foundation.

Directors from the Society board constitute the majority of the board members of the Foundation board. The Society is incorporated under the Society 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 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, 2016, the Society's fund balances were \$331,247 (2015 - \$275,599).

5. Investment valuation gains (losses)

Investment valuation gains (losses) consists of realized capital gains of \$206,025 (2015 - realized capital gain of \$156,454) and unrealized capital losses of \$556,778 (2015 - unrealized capital gain of \$347,751).

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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.

(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 2015.

7. 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, Helen Sawyer 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, 2016

	Investment Income Fund	Education Endowment Fund	Butchart and Friends Endowment Fund	Barbara Steel Endowment Fund	Helen Sawyer Endowment Fund	General Endowment Fund	Total 2016
Revenue:							
Fundraising	\$ -	-	-	-	-	-	-
Interest and dividends:							
Education Endowment Fund	15,198	-	-	-	-	-	15,198
Butchart and Friends Endowment Fund	7,113	-	-	-	-	-	7,113
Barbara Steel Endowment Fund	32,167	-	-	-	-	-	32,167
General Endowment Fund	73,017	-	-	-	-	-	73,017
Helen Sawyer Endowment Fund	5,284	-	-	-	-	-	5,284
Investment valuation gains (loss):							
Education Endowment Fund	(18,899)	-	-	-	-	-	(18,899)
Butchart and Friends Endowment Fund	(8,984)	-	-	-	-	-	(8,984)
Barbara Steel Endowment Fund	(39,998)	-	-	-	-	-	(39,998)
General Endowment Fund	(90,793)	-	-	-	-	-	(90,793)
Helen Sawyer Endowment Fund	(6,575)	-	-	-	-	-	(6,575)
	(32,470)	-	-	-	-	-	(32,470)
Expenses:							
Investment management fees	32,373	-	-	-	-	-	32,373
Excess (deficiency) of revenue over expenses	(64,843)	-	-	-	-	-	(64,843)
Transfers (note 7)	64,843	(19,510)	(9,156)	(41,291)	(6,996)	(93,693)	(105,803)
Fund balances, beginning of year	-	359,269	169,420	760,333	125,032	1,725,911	3,139,965
Fund balances, end of year	\$ -	339,759	160,264	719,042	118,036	1,632,218	2,969,319

VICTORIA HOSPICE AND PALLIATIVE CARE FOUNDATION

Schedule of Restricted Fund Operations

Schedule 2

Year ended March 31, 2015

	Investment Income Fund	Education Endowment Fund	Butchart and Friends Endowment Fund	Barbara Steel Endowment Fund	Helen Sawyer Endowment Fund	General Endowment Fund	Total 2015
Revenue:							
Fundraising	\$ -	-	-	-	-	-	-
Interest and dividends:							
Education Endowment Fund	11,877	-	-	-	-	-	11,877
Butchart and Friends Endowment Fund	5,561	-	-	-	-	-	5,561
Barbara Steel Endowment Fund	25,135	-	-	-	-	-	25,135
General Endowment Fund	57,054	-	-	-	-	-	57,054
Helen Sawyer Endowment Fund	4,139	-	-	-	-	-	4,139
Investment valuation gains:							
Education Endowment Fund	27,807	-	-	-	-	-	27,807
Butchart and Friends Endowment Fund	13,026	-	-	-	-	-	13,026
Barbara Steel Endowment Fund	58,850	-	-	-	-	-	58,850
General Endowment Fund	133,581	-	-	-	-	-	133,581
Helen Sawyer Endowment Fund	9,685	-	-	-	-	-	9,685
	346,715	-	-	-	-	-	346,715
Expenses:							
Investment management fees	32,394	-	-	-	-	-	32,394
Excess of revenue over expenses	314,321	-	-	-	-	-	314,321
Transfers (note 7)	(314,321)	25,246	12,001	53,425	8,562	121,416	(93,671)
Fund balances, beginning of year	-	334,023	157,419	706,908	116,470	1,604,495	2,919,315
Fund balances, end of year	\$ -	359,269	169,420	760,333	125,032	1,725,911	3,139,965