

Financial Statements of

**NORTH OKANAGAN
HOSPICE SOCIETY**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North Okanagan Hospice Society

We have audited the accompanying financial statements of North Okanagan Hospice Society, which comprise the statement of financial position as at March 31, 2017, 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 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Okanagan Hospice Society as at March 31, 2017, 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 Section 117(1)(b) of the Societies Act (British Columbia), we report that, in our opinion, the significant accounting policies applied in preparing these financial statements have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

June 27, 2017

Vernon, Canada

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Financial Position

March 31, 2017, with comparative information for 2016

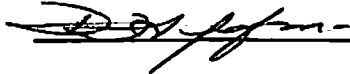
	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2017 Total	2016 Total
Assets					
Current assets:					
Cash	\$ 476,408	\$ -	\$ -	\$ 476,408	\$ 409,784
Gaming funds	95,000	-	-	95,000	95,000
Short-term investments (note 2)	258,170	-	-	258,170	599,722
Accounts receivable	11,635	-	-	11,635	15,864
	841,213	-	-	841,213	1,120,370
Investments (note 2)	647,289	-	1,240,934	1,888,223	1,538,297
Capital assets (note 4)	-	2,541,714	-	2,541,714	2,664,085
	\$ 1,488,502	\$ 2,541,714	\$ 1,240,934	\$ 5,271,150	\$ 5,322,752

Liabilities and Fund Balances


Current liabilities:					
Accounts payable and accrued liabilities	\$ 29,637	\$ -	\$ -	\$ 29,637	\$ 34,551
Payroll liabilities (note 5)	126,975	-	-	126,975	113,937
Deferred revenue (note 6)	95,000	-	-	95,000	95,000
	251,612	-	-	251,612	243,488
Fund balances:					
Invested in capital assets	-	2,541,714	-	2,541,714	2,664,085
Internally restricted funds (note 7)	174,203	-	1,081,893	1,256,096	1,297,854
Externally restricted funds (note 8)	-	-	159,041	159,041	189,801
Unrestricted	1,062,687	-	-	1,062,687	927,524
	1,236,890	2,541,714	1,240,934	5,019,538	5,079,264
Endowments (note 3)					
Commitments and contingencies (note 9)					
	\$ 1,488,502	\$ 2,541,714	\$ 1,240,934	\$ 5,271,150	\$ 5,322,752

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative figures for 2016

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2017 Total	2016 Total
Revenue:					
Interior Health operating grant and contract fund	\$ 1,199,111	\$ -	\$ -	\$ 1,199,111	\$ 1,182,307
Residential and program fees	131,130	-	-	131,130	120,538
Other income	26,420	-	-	26,420	1,140
	<u>1,356,661</u>	<u>-</u>	<u>-</u>	<u>1,356,661</u>	<u>1,303,985</u>
Expenses:					
Wage costs	1,634,851	-	-	1,634,851	1,614,101
Amortization	-	169,411	-	169,411	164,669
Organization development	91,359	-	-	91,359	80,974
Residential program expenses	71,968	-	-	71,968	88,725
Utilities	60,652	-	-	60,652	58,531
Maintenance	37,527	-	-	37,527	51,382
Insurance	13,479	-	-	13,479	12,353
Office expenses	12,542	-	-	12,542	12,814
Bank charges	6,973	-	-	6,973	7,556
Property taxes	4,682	-	-	4,682	4,612
Advertising	1,949	-	-	1,949	4,349
Bad debts	99	-	-	99	361
Library resource materials	48	-	-	48	725
	<u>1,936,129</u>	<u>169,411</u>	<u>-</u>	<u>2,105,540</u>	<u>2,101,152</u>
Deficiency of revenues over expenses from operations	(579,468)	(169,411)	-	(748,879)	(797,167)
Fundraising and other income (loss):					
Fundraising activities (Schedule 1)	551,051	-	-	551,051	500,676
Investment income	146,834	-	-	146,834	65,470
Loss on disposal of assets	-	(8,733)	-	(8,733)	(2,302)
	<u>697,885</u>	<u>(8,733)</u>	<u>-</u>	<u>689,152</u>	<u>563,844</u>
Excess (deficiency) of revenue over expenses	118,417	(178,144)	-	(59,727)	(233,323)
Fund balances, beginning of year	1,108,478	2,664,085	1,306,702	5,079,265	5,312,586
Interfund transfers:					
Capital asset additions and maintenance	9,995	55,773	(65,768)	-	-
Fund balances, end of year	<u>\$ 1,236,890</u>	<u>\$ 2,541,714</u>	<u>\$ 1,240,934</u>	<u>\$ 5,019,538</u>	<u>\$ 5,079,263</u>

See accompanying notes to financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Operating Fund	\$ 118,417	\$ (66,350)
Capital Asset Fund	(178,144)	(166,971)
Items not involving cash:		
Amortization	169,411	164,669
Loss on disposal of assets	8,733	2,302
Fair value re-measurement of investments	(62,781)	18,659
	55,636	(47,691)
Change in non-cash operating working capital	12,354	11,229
	67,990	(36,462)
Investing:		
Purchase of capital assets	(55,773)	(56,209)
Proceeds on sale of investments	54,407	33,379
	(1,366)	(22,830)
Increase (decrease) in cash	66,624	(59,292)
Cash, beginning of year	409,784	469,076
Cash, end of year	\$ 476,408	\$ 409,784

See accompanying notes to financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2017

North Okanagan Hospice Society (the "Society") is incorporated under the Society Act (British Columbia) and is a charitable organization under the Income Tax Act. The Society's principal activities are to provide respite care and grief and bereavement support, in the delivery of comprehensive palliative care services to residents of the North Okanagan. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society has until November 28, 2018 to transition to the new act.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Handbook ("ASNPO"). 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:

i) Operating fund:

The operating fund is unrestricted and includes general operating revenue and expenses of the Society.

ii) Capital asset fund:

The capital fund reports the assets, liabilities, revenue and expenses related to the Society's capital and intangible assets.

iii) Capital reserve fund:

The capital reserve fund reports the assets, liabilities, revenue and expenses and internally restricted funds related to fundraising for future capital projects. Interest earned on investments is available for use in general operations.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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.

(c) Financial instruments:

The Society's financial instruments consist of cash (including gaming funds), investments, accounts receivable and accounts payable and accrued liabilities. All financial instruments are initially measured at fair value. Subsequently, all financial instruments are measured at amortized cost, except cash and investments which are recorded at fair value. 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.

(d) Investments:

Investments are managed by a third party investment manager. The investments consist of a mix of publicly traded short and long-term fixed income investments, guaranteed investment certificates and publicly traded equities. Investments are made in accordance with the Society's investment policy. The principal of the investment policy is to preserve capital and obtain a conservative return on investments. Highly liquid investments, such as mutual funds and investments without set terms and fixed income investments maturing within one year from the statement of financial position date are reflected as short-term investments.

(e) Medical supplies:

Medical supplies are expensed as purchased.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is reported in the Capital Asset Fund, and is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Asset	Years
Building	25
House furniture and equipment	10
Landscaping	10
Office equipment	10
Medical equipment	10
Software	10

Art works and other capital assets with an expected unlimited life or residual value in excess of cost are not subject to amortization. When a capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances. Write-downs are not reversed.

(g) Use of estimates:

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(h) Contributed services:

Volunteers contributed approximately 12,990 hours in fiscal 2017 (2016 - 14,306 hours) assisting the Society in carrying out its activities. Contributed services are not recognized in these financial statements because of the difficulty of determining their fair value.

(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.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Investments:

	2017	2016
RBC Dominion Securities	\$ 1,287,279	\$ 1,341,686
Vancouver Foundation	859,114	796,333
	2,146,393	2,138,019
Less: highly liquid investments and fixed-term investments maturing within 12 months	(258,170)	(599,722)
	\$ 1,888,223	\$ 1,538,297

3. Endowments:

The Society has contributed funds to the Community Foundation of the North Okanagan ("CFNO") as endowments for the benefit of the Society. These funds are permanently restricted and consequently not included as assets of the Society in these financial statements. These funds comprise, as follows:

	2017	2016
North Okanagan Hospice Society Endowment Fund ("NOHSEF")	\$ 542,182	\$ 478,647
North Okanagan Hospice Garden Fund ("NOHGF")	17,943	15,840
	\$ 560,125	\$ 494,487

The Society receives an annual distribution based on the percentage of the original contribution and any cumulative gains since the inception of the endowment fund. During the year the Society received \$17,054 (2016 - \$18,285) from the NOHSEF and \$564 (2016 - \$583) from the NOHGF.

In addition, the Society receives annual distributions from the following private funds:

- Muriel Mildenberger Endowment Fund (managed by CFNO)
- Mary Richardson Endowment Fund (managed by CFNO)
- Raymond and Grace Wolfenden Fund (managed by Mackenzie Financial Corporation)
- Kurt and Jutta Knuever Legacy Foundation (managed by the Canadian National Christian Foundation)

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 502,435	\$ -	\$ 502,435	\$ 502,435
Building	2,614,148	860,880	1,753,268	1,857,834
House furniture and equipment	363,115	245,184	117,931	137,458
Landscaping	81,073	61,947	19,126	23,876
Office equipment	46,013	30,969	15,044	13,862
Medical equipment	211,528	99,900	111,626	101,880
Software	44,564	22,280	22,284	26,740
	\$ 3,862,876	\$ 1,321,162	\$ 2,541,714	\$ 2,664,085

5. Payroll liabilities:

Included in payroll liabilities are government remittances payable of \$6,108 (2016 - \$5,923) for payroll related taxes.

6. Deferred revenue:

	2017	2016
Gaming funds:		
Opening	\$ 95,000	\$ 95,000
Gaming grants	95,000	95,000
Expenditures	(95,000)	(95,000)
Ending	95,000	95,000
Interior Health:		
Opening	-	4,380
Expenditures	-	(4,380)
Deferred revenue	\$ 95,000	\$ 95,000

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Internally restricted funds:

The Society has internally restricted funds for the following purposes:

	<u>Operating fund</u>	<u>Capital reserve fund</u>	
	Program reserve	Capital assets	Total
Balance March 31, 2017	\$ 174,203	\$ 1,081,893	\$ 1,256,096

Internally restricted funds are authorized for use by the Board of Directors. Internally restricted funds are designated for three purposes:

- Capital reserve fund: Hospice House is a 12 bed residential facility which provides end-of-life services on a 24/7/365 basis. Funds must be available to address significant maintenance issues and to replace equipment such as beds and call bell systems as they are needed to ensure the comfort of our clients. The funds set aside have been based on an estimate of the Society's ten-year capital maintenance, improvement and replacement budget.
- Operating fund: The Society has established a program reserve to meet certain expected commitments. For financial statement purposes, these funds have been grouped together. A description of the funds are:
 - Seed fund: New programs are often ineligible for grant funding because they have not been fully developed. In these instances, it is imperative that NOHS has seed funding available to develop and implement new programs.
 - Stabilization fund: The purpose of this fund is to ensure that the Society has sufficient working capital in order to provide for its ongoing operational requirements over a period of many years. The Society supports its annual operational requirements over and above the funding it receives from donations, grants, and other sources through income it generates from its investments.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Externally restricted funds:

Externally restricted funds are included in the Capital Reserve Fund and consist of unused "Grow the Dream" contributions, which have been designated for future capital projects.

	2017	2016
Balance beginning of year	\$ 189,801	\$ 233,750
Transferred to capital asset fund	(30,760)	(43,949)
Balance, end of year	\$ 159,041	\$ 189,801

Externally restricted funds consist of unused contributions from the 2006 – 2008 "Grow the Dream" capital campaign to raise funds for the expansion of Hospice House. To honour the donors' original intent for these contributions, these funds are designated for future capital projects and equipment to be used in the new part of Hospice House.

9. Commitments and contingencies:

The Society's regular employees are provided with sick leave at a rate of 5% of regular time earnings. The unused sick leave is carried forward to the subsequent year to a maximum of 12% (2016 - 10%) of earnings. Total sick time at March 31, 2017 is \$67,989 (2016 - \$65,522), of which \$50,992 (2016 - \$42,589) has been accrued based on expected usage. These benefits are not paid out upon termination and any unpaid amounts revert to the Society.

10. Financial risks and concentration of risk:

The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

There has been no change to the risk exposures from 2016.

11. Economic dependence:

In 2016, the Society received 55% (2016 - 59%) of its operations funding from the Interior Health Authority.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

12. Remuneration:

For the fiscal year ending March 31, 2017, the Society paid total remuneration of \$179,465 to 2 employees and contractors for services, each of whom received total remuneration of \$75,000 or greater.

The Society paid \$nil remuneration to its Directors in the fiscal period ended March 31, 2017.

NORTH OKANAGAN HOSPICE SOCIETY

Schedule 1 - Fundraising Activities

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Revenue:		
Special events	\$ 229,520	\$ 188,064
Donations	199,297	243,201
Gaming	95,000	95,000
Bequests	44,801	15,077
Community organization	43,681	31,870
Other grants	41,362	23,712
Events sponsorship	24,844	34,910
BC Gaming-Community Groups	11,405	10,645
	<u>689,910</u>	<u>642,479</u>
Expenses:		
Salaries and benefits	68,701	57,489
Event expenditures	70,158	84,314
	<u>138,859</u>	<u>141,803</u>
	<u>\$ 551,051</u>	<u>\$ 500,676</u>