

Financial Statements of

**NORTH OKANAGAN
HOSPICE SOCIETY**

Year ended March 31, 2022
(Audited)



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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, 2022, the statements of operations and changes in fund balances for the year then ended for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 North Okanagan Hospice 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.

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.



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.



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- 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 by North Okanagan Hospice Society in preparing and presenting 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 period.

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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

June 28, 2022

Vernon, Canada

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Financial Position

March 31, 2022, with comparative figures for 2021

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2022 Total	2021 Total
Assets					
Current assets:					
Cash	\$ 823,126	\$ -	\$ -	\$ 823,126	\$ 805,895
Gaming funds	65,986	-	-	65,986	-
Short-term investments (note 2)	1,575,371	-	-	1,575,371	1,733,138
Accounts receivable	157,637	-	-	157,637	89,079
Prepaid expenses	6,182	-	-	6,182	2,658
	2,628,302	-	-	2,628,302	2,630,770
Investments (note 2)	354,121	-	601,973	956,094	943,076
Capital assets (note 4)	-	1,964,128	-	1,964,128	2,051,112
	\$ 2,982,423	\$ 1,964,128	\$ 601,973	\$ 5,548,524	\$ 5,624,958
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 65,257	\$ -	\$ -	\$ 65,257	\$ 46,814
Payroll liabilities (note 5)	270,159	-	-	270,159	323,133
Deferred revenue	60,027	-	-	60,027	2,000
	395,443	-	-	395,443	371,947
Fund balances:					
Invested in capital assets	-	1,964,128	-	1,964,128	2,051,112
Internally restricted funds (note 6)	1,925,000	-	540,000	2,465,000	2,465,000
Externally restricted funds (note 7)	-	-	61,973	61,973	61,973
Unrestricted	661,980	-	-	661,980	674,926
	2,586,980	1,964,128	601,973	5,153,081	5,253,011
Endowments (note 3)					
Commitments and contingencies (note 8)					
	\$ 2,982,423	\$ 1,964,128	\$ 601,973	\$ 5,548,524	\$ 5,624,958

See accompanying notes to audited 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, 2022, with comparative figures for 2021

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2022 Total	2021 Total
Revenue:					
Interior Health operating grant and contract fund	\$ 1,486,361	\$ -	\$ -	\$ 1,486,361	\$ 1,405,932
Residential and program fees	142,947	-	-	142,947	131,368
Other income	27,366	-	-	27,366	48,314
	<u>1,656,674</u>	<u>-</u>	<u>-</u>	<u>1,656,674</u>	<u>1,585,614</u>
Expenses:					
Advertising	7,910	-	-	7,910	2,539
Amortization	-	162,009	-	162,009	147,852
Bad debts	58	-	-	58	111
Bank charges	5,025	-	-	5,025	6,553
Insurance	23,237	-	-	23,237	20,085
Maintenance	40,235	-	-	40,235	45,532
Office expenses	13,596	-	-	13,596	13,773
Organization development	123,627	-	-	123,627	94,173
Property taxes	5,684	-	-	5,684	5,684
Residential program expenses	132,191	-	-	132,191	175,759
Utilities	60,697	-	-	60,697	49,704
Wage costs	1,921,730	-	-	1,921,730	2,042,366
	<u>2,333,990</u>	<u>162,009</u>	<u>-</u>	<u>2,495,999</u>	<u>2,604,131</u>
Deficiency of revenues over expenses from operations	(677,316)	(162,009)	-	(839,325)	(1,018,517)
Fundraising and other income (expense):					
Fundraising activities (Schedule 1)	393,011	-	-	393,011	398,992
Investment income	30,741	-	-	30,741	214,556
Endowment income	70,113	-	-	70,113	37,501
Loss on disposal of assets	-	-	-	-	(15,020)
Government assistance (note 9)	245,530	-	-	245,530	612,282
	<u>739,395</u>	<u>-</u>	<u>-</u>	<u>739,395</u>	<u>1,248,311</u>
Excess (deficiency) of revenues over expenses	62,079	(162,009)	-	(99,930)	229,794
Fund balances, beginning of year	2,599,926	2,051,112	601,973	5,253,011	5,023,217
Interfund transfers:					
Capital asset additions	(75,025)	75,025	-	-	-
Fund balances, end of year	\$ 2,586,980	\$ 1,964,128	\$ 601,973	\$ 5,153,081	\$ 5,253,011

See accompanying notes to audited financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operations:		
Operating Fund	\$ 62,079	\$ 392,666
Capital Asset Fund	(162,009)	(162,872)
	(99,930)	229,794
Items not involving cash:		
Amortization	162,009	147,852
Loss on disposal of assets	-	15,020
Fair value re-measurement of investments	(13,018)	(149,859)
	49,061	242,807
Change in non-cash operating working capital:		
Increase in accounts receivable	(68,558)	(59,539)
Increase to prepaid expenses	(3,524)	(2,658)
Increase in accounts payable and accrued liabilities	18,443	14,610
(Decrease) increase in payroll liabilities	(52,974)	151,323
Increase in deferred revenue	58,027	2,000
	475	348,543
Investing:		
Purchase of capital assets	(75,025)	(69,272)
Proceeds on disposal of capital assets	-	850
Disposal (purchase) of investments	157,767	(12,185)
	82,742	(80,607)
Increase in cash	83,217	267,936
Cash, beginning of year	805,895	537,959
Cash, end of year	\$ 889,112	\$ 805,895
Cash consists of:		
Cash	\$ 823,126	\$ 805,895
Gaming funds	65,986	-
	\$ 889,112	\$ 805,895

See accompanying notes to audited financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2022

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.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations 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. Certain amounts have been internally restricted by the Board of Directors (note 6).

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 and externally restricted funds 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, 2022

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. Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. 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 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 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 year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

In the case of financial instruments that originate as a result of related party transactions, initial measurement will be at the exchange amount or carrying value in accordance with Section 3840, Related Party Transactions, rather than fair value. If the sole relationship is in the capacity of management, the parties involved are deemed to be unrelated for purposes of Section 3856, Financial Instruments and as such, transactions will be initially measured at fair value.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(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.

(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. Capital assets are reviewed for impairment annually. When a capital asset is impaired, 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.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(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 6,424 hours in fiscal 2022 (2021 - 4,150 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.

(j) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of net income for the period. Government assistance related to capital expenditures is recorded as reduction of the cost of the related item of capital assets.

2. Investments:

	2022	2021
RBC Dominion Securities, recorded at amortized cost	\$ 1,575,371	\$ 1,733,138
Vancouver Foundation, recorded at fair value	956,094	943,076
	2,531,465	2,676,214
Less: short-term portion	(1,575,371)	(1,733,138)
	\$ 956,094	\$ 943,076

The short-term portion includes highly liquid investments and fixed-term investments maturing within 12 months.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2022

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:

	2022	2021
North Okanagan Hospice Society Endowment Fund ("NOHSEF")	\$ 529,741	\$ 541,407
North Okanagan Hospice Garden Fund ("NOHGF")	17,517	17,917
	\$ 547,258	\$ 559,324

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 \$22,679 (2021 - \$22,263) from the NOHSEF and \$751 (2021 - \$737) from the NOHGF.

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

- Muriel Mildenerger Endowment Fund (managed by CFNO)
- Mary Richardson Endowment Fund (managed by CFNO)
- Mike & Jean Haug 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, 2022

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 502,435	\$ -	\$ 502,435	\$ 502,435
Building	2,614,148	1,383,710	1,230,438	1,335,004
House furniture and equipment	258,633	198,306	60,327	82,003
Landscaping	88,459	72,668	15,791	16,672
Office equipment	87,057	59,006	28,051	18,883
Medical equipment	234,592	107,506	127,086	91,657
Software	44,564	44,564	-	4,458
	<u>\$ 3,829,888</u>	<u>\$ 1,865,760</u>	<u>\$ 1,964,128</u>	<u>\$ 2,051,112</u>

5. Payroll liabilities:

Included in payroll liabilities are government remittances payable of \$22,552 (2021 - \$16,614) for payroll related taxes.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. 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, end of year	\$ 1,925,000	\$ 540,000	\$ 2,465,000

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 two program reserves to meet certain expected commitments. For financial statement purposes, these funds have been grouped together. A description of the funds are:
 - Seed fund: Existing and planned new programs are often ineligible for grant funding because they have not been fully developed. In these instances, it is imperative that the Society 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 operating funds 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, 2022

7. Externally restricted funds:

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

	2022	2021
Balance, beginning of year	\$ 61,973	\$ 117,787
Transferred to capital asset fund	-	(55,814)
Balance, end of year	\$ 61,973	\$ 61,973

8. 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% (2021 - 12%) of earnings. Total sick time at March 31, 2022 is \$56,975 (2021 - 57,026), of which \$56,975 (2021 - \$49,783) has been accrued based on expected usage. These benefits are not paid out upon termination and any unpaid amounts revert to the Society.

9. Government assistance:

Government assistance consists of the Canada Emergency Wage Subsidy ("CEWS"), which was part of the initiatives launched by the Canadian Government to assist employers to maintain workers on payroll during the COVID-19 pandemic. The total amount received during the year of \$245,530 (2021 - \$612,282) relates to current wage expenses incurred.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Financial risks and concentration of risk:

It is management's opinion that the Society is not exposed to significant interest or currency risks arising from financial instruments. There are no changes to the risk exposure noted below.

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. To mitigate this risk, investments are managed in accordance with the Society's investment policy to preserve capital while achieving a return on its investments.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society has established an investment policy and outlined its investment objectives to mitigate the risk of financial loss from defaults. The Society only purchases permissible investments in accordance with its investment policy.

(c) Liquidity risk:

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. 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.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Economic dependence:

During the fiscal year ending March 31, 2022, the Society received 63% (2021 - 61%) of its operational funding from the Interior Health Authority ("IHA"). The Society's contract with IHA expires on September 30, 2022 and is expected to be renewed before that time.

12. Remuneration:

For the fiscal year ending March 31, 2022, the Society paid total remuneration of \$349,620 (2021 - \$352,108) to 4 (2021 - 4) employees and contractors for services, each of whom received total remuneration of \$75,000 or greater.

The Society paid \$nil (2021 - \$nil) remuneration to its Directors in the fiscal period ended March 31, 2022.

NORTH OKANAGAN HOSPICE SOCIETY

Schedule 1 - Fundraising Activities

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

	2022	2021
Revenue:		
Special events	\$ 97,861	\$ 128,749
Donations	287,253	296,112
Bequests	66,185	27,587
Gaming	20,000	-
Events sponsorship	3,950	-
Community organization	19,980	4,280
BC Gaming-Community Groups	3,000	9,131
Other grants	19,995	25,684
	<u>518,224</u>	<u>491,543</u>
Expenses:		
Event expenditures	15,159	14,000
Salaries and benefits	110,054	78,551
	<u>125,213</u>	<u>92,551</u>
	<u>\$ 393,011</u>	<u>\$ 398,992</u>