

Financial Statements of

**NORTH OKANAGAN
HOSPICE SOCIETY**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North Okanagan Hospice Society:

Opinion

We have audited the financial statements of North Okanagan Hospice Society, which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the consolidated 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 North Okanagan Hospice Society as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

We are independent of 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.



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

Report on Other Legal and Regulatory Requirements

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

KPMG LLP

Chartered Professional Accountants

June 25, 2019

Vernon, Canada

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Financial Position


March 31, 2019, with comparative information for 2018

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2019 Total	2018 Total
Assets					
Current assets:					
Cash	\$ 985,696	\$ -	\$ -	\$ 985,696	\$ 510,963
Gaming funds	41,000	-	-	41,000	71,000
Short-term investments (note 2)	893,669	-	204,322	1,097,991	774,235
Accounts receivable	41,033	-	-	41,033	28,663
	1,961,398	-	204,322	2,165,720	1,384,861
Investments (note 2)	-	-	1,012,083	1,012,083	1,358,812
Capital assets (note 4)	-	2,223,651	-	2,223,651	2,375,737
	\$ 1,961,398	\$ 2,223,651	\$ 1,216,405	\$ 5,401,454	\$ 5,119,410
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 43,295	\$ -	\$ -	\$ 43,295	\$ 28,755
Payroll liabilities (note 5)	149,159	-	-	149,159	125,541
Deferred revenue (note 6)	41,000	-	-	41,000	71,000
	233,454	-	-	233,454	225,296
Fund balances:					
Invested in capital assets	-	2,223,651	-	2,223,651	2,375,737
Internally restricted funds (note 7)	578,255	-	1,081,893	1,660,148	1,256,096
Externally restricted funds (note 8)	-	-	134,512	134,512	159,115
Unrestricted	1,149,689	-	-	1,149,689	1,103,166
	1,727,944	2,223,651	1,216,405	5,168,000	4,894,114
Endowments (note 3)					
Commitments and contingencies (note 9)					
	\$ 1,961,398	\$ 2,223,651	\$ 1,216,405	\$ 5,401,454	\$ 5,119,410

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, 2019, with comparative figures for 2018

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2019 Total	2018 Total
Revenue:					
Interior Health operating grant and contract fund	\$ 1,234,247	\$ -	\$ -	\$ 1,234,247	\$ 1,225,482
Residential and program fees	141,565	-	-	141,565	133,273
Other income	1,800	-	-	1,800	1,055
	<u>1,377,612</u>	<u>-</u>	<u>-</u>	<u>1,377,612</u>	<u>1,359,810</u>
Expenses:					
Wage costs	1,693,208	-	-	1,693,208	1,605,480
Amortization	-	176,813	-	176,813	174,535
Residential program expenses	96,380	-	-	96,380	86,053
Organization development	77,658	-	-	77,658	52,083
Maintenance	47,563	-	-	47,563	40,804
Utilities	47,156	-	-	47,156	51,597
Insurance	15,252	-	-	15,252	14,021
Office expenses	11,749	-	-	11,749	12,787
Bank charges	8,181	-	-	8,181	8,181
Property taxes	4,904	-	-	4,904	4,990
Advertising	834	-	-	834	3,000
Bad debts	84	-	-	84	252
	<u>2,002,969</u>	<u>176,813</u>	<u>-</u>	<u>2,179,782</u>	<u>2,053,783</u>
Deficiency of revenues over expenses from operations	(625,357)	(176,813)	-	(802,170)	(693,973)
Fundraising and other income (expense):					
Fundraising activities (Schedule 1)	969,666	-	-	969,666	463,881
Investment income	79,820	-	-	79,820	56,874
Endowment income	28,786	-	-	28,786	47,794
Loss on disposal of assets	-	(2,216)	-	(2,216)	-
	<u>1,078,272</u>	<u>(2,216)</u>	<u>-</u>	<u>1,076,056</u>	<u>568,549</u>
Excess (deficiency) of	452,915	(179,029)	-	273,886	(125,424)
Fund balances, beginning of year	1,277,369	2,375,737	1,241,008	4,894,114	5,019,538
Interfund transfers:					
Capital asset additions	(2,340)	26,943	(24,603)	-	4,894,114
Fund balances, end of year	\$ 1,727,944	\$ 2,223,651	\$ 1,216,405	\$ 5,168,000	\$ 4,894,114

See accompanying notes to financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operations:		
Operating Fund	\$ 452,915	\$ 44,758
Capital Asset Fund	(179,029)	(174,535)
Capital Reserve Fund	-	4,353
	<u>273,886</u>	<u>(125,424)</u>
Items not involving cash:		
Amortization	176,813	174,535
Loss on disposal of assets	2,216	-
Fair value re-measurement of investments	(14,446)	1,771
	<u>438,469</u>	<u>50,882</u>
Change in non-cash operating working capital	<u>25,789</u>	<u>(19,340)</u>
	<u>464,258</u>	<u>31,542</u>
Investing:		
Purchase of capital assets	(26,943)	(8,558)
Proceeds on sale of investments	37,418	11,571
	<u>10,475</u>	<u>3,013</u>
Increase in cash	474,733	34,555
Cash, beginning of year	510,963	476,408
Cash, end of year	<u>\$ 985,696</u>	<u>\$ 510,963</u>

See accompanying notes to financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2019

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 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 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, 2019

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, 2019

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 12,703 hours in fiscal 2019 (2018 - 12,076 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, 2019

2. Investments:

	2019	2018
RBC Dominion Securities	\$ 1,238,285	\$ 1,275,704
Vancouver Foundation	871,789	857,343
	2,110,074	2,133,047
Less: short-term portion	(1,097,991)	(774,235)
	\$ 1,012,083	\$ 1,358,812

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, 2019

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:

	2019	2018
North Okanagan Hospice Society Endowment Fund ("NOHSEF")	\$ 509,229	\$ 522,831
North Okanagan Hospice Garden Fund ("NOHGF")	16,852	17,303
	\$ 526,081	\$ 540,134

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 \$19,022 (2018 - \$19,891) from the NOHSEF and \$630 (2018 - \$658) 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, 2019

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 502,435	\$ -	\$ 502,435	\$ 502,435
Building	2,614,148	1,070,012	1,544,136	1,648,702
House furniture and equipment	352,405	300,652	51,753	80,485
Landscaping	81,073	71,445	9,628	14,377
Office equipment	66,903	49,537	17,366	16,634
Medical equipment	175,492	90,530	84,962	95,276
Software	44,564	31,193	13,371	17,828
	\$ 3,837,020	\$ 1,613,369	\$ 2,223,651	\$ 2,375,737

5. Payroll liabilities:

Included in payroll liabilities are government remittances payable of \$8,916 (2018 - \$7,645) for payroll related taxes.

6. Deferred revenue:

	2019	2018
Gaming funds:		
Opening	\$ 71,000	\$ 95,000
Gaming grants	41,000	71,000
Expenditures	(71,000)	(95,000)
Deferred revenue	\$ 41,000	\$ 71,000

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2019

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, beginning of year	\$ 174,203	\$ 1,081,893	\$ 1,256,096
Additions	404,052	-	404,052
Balance, end of year	\$ 578,255	\$ 1,081,893	\$ 1,660,148

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: 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, 2019

8. 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.

	2019	2018
Balance, beginning of year	\$ 159,115	\$ 159,041
Transferred to capital asset fund	(24,603)	(4,279)
Contributions	-	4,353
Balance, end of year	\$ 134,512	\$ 159,115

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% (2018 - 12%) of earnings. Total sick time at March 31, 2019 is \$57,988 (2018 - \$58,641), of which \$46,070 (2018 - \$43,981) 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 2018.

11. Economic dependence:

In 2019, the Society received 47% (2018 - 58%) of its operational funding from the Interior Health Authority.

12. Remuneration:

For the fiscal year ending March 31, 2019, the Society paid total remuneration of \$194,605 (2018 - \$182,675) to 2 employees and contractors for services, each of whom received total remuneration of \$75,000 or greater.

The Society paid \$nil (2018 - \$nil) remuneration to its Directors in the fiscal period ended March 31, 2019.

NORTH OKANAGAN HOSPICE SOCIETY

Schedule 1 - Fundraising Activities

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

	2019	2018
Revenue:		
Special events	\$ 293,891	\$ 289,758
Donations	220,595	136,793
Gaming	71,000	95,000
Bequests	450,193	6,554
Community organization	36,160	26,651
Other grants	9,744	26,915
Events sponsorship	51,934	35,295
BC Gaming-Community Groups	9,549	18,462
	<u>1,143,066</u>	<u>635,428</u>
Expenses:		
Salaries and benefits	87,574	82,431
Event expenditures	85,826	89,116
	<u>173,400</u>	<u>171,547</u>
	<u>\$ 969,666</u>	<u>\$ 463,881</u>