

Financial Statements of

**NORTH OKANAGAN
HOSPICE SOCIETY**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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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 (the "Society"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 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 year.

A handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slanted. A horizontal line is drawn underneath the signature, starting from the left and extending to the right, ending with a small arrowhead pointing to the right.

Chartered Professional Accountants

June 14, 2023

Vernon, Canada

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Financial Position

March 31, 2023, with comparative figures for 2022

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2023 Total	2022 Total
Assets					
Current assets:					
Cash	\$ 166,696	\$ -	\$ -	\$ 166,696	\$ 823,126
Gaming funds	96,111	-	-	96,111	65,986
Short-term investments (note 2)	1,677,885	-	-	1,677,885	1,575,371
Accounts receivable	158,128	-	-	158,128	157,637
Prepaid expenses	12,375	-	-	12,375	6,182
	2,111,195	-	-	2,111,195	2,628,302
Investments (note 2)	896,124	-	816,168	1,712,292	956,094
Capital assets (note 4)	-	2,010,480	-	2,010,480	1,964,128
	\$ 3,007,319	\$ 2,010,480	\$ 816,168	\$ 5,833,967	\$ 5,548,524

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 62,056	\$ -	\$ -	\$ 62,056	\$ 65,257
Payroll liabilities (note 5)	163,149	-	-	163,149	270,159
Deferred revenue	96,790	-	-	96,790	60,027
	321,995	-	-	321,995	395,443
Fund balances:					
Invested in capital assets	-	2,010,480	-	2,010,480	1,964,128
Internally restricted funds (note 6)	2,298,000	-	754,195	3,052,195	2,465,000
Externally restricted funds (note 7)	-	-	61,973	61,973	61,973
Unrestricted	387,324	-	-	387,324	661,980
	2,685,324	2,010,480	816,168	5,511,972	5,153,081
Endowments (note 3)					
	\$ 3,007,319	\$ 2,010,480	\$ 816,168	\$ 5,833,967	\$ 5,548,524

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, 2023, with comparative figures for 2022

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	2023 Total	2022 Total
Revenue:					
Interior Health operating grant and contract fund	\$ 2,044,146	\$ -	\$ -	\$ 2,044,146	\$ 1,441,755
Residential and program fees	180,398	-	-	180,398	187,553
Other income	64,306	-	-	64,306	27,366
	<u>2,288,850</u>	<u>-</u>	<u>-</u>	<u>2,288,850</u>	<u>1,656,674</u>
Expenses:					
Advertising	19,125	-	-	19,125	7,910
Amortization	-	173,858	-	173,858	162,009
Bad debts	659	-	-	659	58
Bank charges	5,063	-	-	5,063	5,025
Insurance	26,383	-	-	26,383	23,237
Maintenance	104,945	-	-	104,945	40,235
Office expenses	22,411	-	-	22,411	13,596
Organization development	105,849	-	-	105,849	123,627
Property taxes	7,761	-	-	7,761	5,684
Residential program expenses	132,951	-	-	132,951	132,191
Utilities	61,369	-	-	61,369	60,697
Wage costs	1,967,166	-	-	1,967,166	1,921,730
	<u>2,453,682</u>	<u>173,858</u>	<u>-</u>	<u>2,627,540</u>	<u>2,495,999</u>
Deficiency of revenues over expenses from operations	(164,832)	(173,858)	-	(338,690)	(839,325)
Fundraising and other income (expense):					
Fundraising activities (Schedule 1)	510,123	102,830	-	612,953	393,011
Investment income	51,184	-	-	51,184	17,724
Endowment income	68,160	-	-	68,160	70,113
Gain on disposal of assets	-	1,575	-	1,575	-
Government assistance	-	-	-	-	245,530
Non-cash change in investment	(36,291)	-	-	(36,291)	13,017
	<u>593,176</u>	<u>104,405</u>	<u>-</u>	<u>697,581</u>	<u>739,395</u>
Excess (deficiency) of revenues over expenses	428,344	(69,453)	-	358,891	(99,930)
Fund balances, beginning of year	2,586,980	1,964,128	601,973	5,153,081	5,253,011
Interfund transfers:					
Reserve transfers	(330,000)	-	330,000	-	-
Capital asset additions	-	115,805	(115,805)	-	-
Fund balances, end of year	<u>\$ 2,685,324</u>	<u>\$ 2,010,480</u>	<u>\$ 816,168</u>	<u>\$ 5,511,972</u>	<u>\$ 5,153,081</u>

See accompanying notes to audited financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2023, with comparative figures for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Operating Fund	\$ 428,344	\$ 62,079
Capital Asset Fund	(69,453)	(162,009)
	358,891	(99,930)
Items not involving cash:		
Amortization	173,858	162,009
Fair value re-measurement of investments	36,291	(13,017)
Gain on disposal of assets	(1,575)	-
	567,465	49,062
Change in non-cash operating working capital:		
Increase in accounts receivable	(491)	(68,558)
Increase to prepaid expenses	(6,193)	(3,524)
(Decrease) increase in accounts payable and accrued liabilities	(3,201)	18,443
Decrease in payroll liabilities	(107,010)	(52,975)
Increase in deferred revenue	36,763	58,027
	487,333	475
Investing:		
Purchase of capital assets	(220,210)	(75,025)
Proceeds on disposal of capital assets	1,575	-
Disposal (purchase) of investments	(895,003)	157,767
	(1,113,638)	82,742
(Decrease) increase in cash	(626,305)	83,217
Cash, beginning of year	889,112	805,895
Cash, end of year	\$ 262,807	\$ 889,112
Cash consists of:		
Cash	\$ 166,696	\$ 823,126
Gaming funds	96,111	65,986
	\$ 262,807	\$ 889,112

See accompanying notes to audited financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2023

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, 2023

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:

(i) Initial measurement:

The Society initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Society is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Society in the transaction.

(ii) Subsequent measurement:

The Society subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred. Financial assets measured at amortized cost using the straight-line method include cash, term deposits, trade and other receivables, except for accounts receivable from a company under common control, and notes receivable. Accounts receivable from a company under common control and investments in preferred shares of a private company are recognized at cost. Financial assets measured at fair value include quoted shares.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

(iii) Transaction costs:

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instruments measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(iv) Impairment:

For financial assets measured at cost or amortized cost, the company determines whether there are indications of possible impairment. When there are, and the company determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

(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, 2023

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. 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.

(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 6,450 hours in fiscal 2023 (2022 - 6,424 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.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Investments:

	2023	2022
RBC Dominion Securities, recorded at amortized cost	\$ 1,970,294	\$ 1,575,371
Vancouver Foundation, recorded at fair value	916,069	956,094
Vantage One GICs, recorded at amortized cost	503,814	-
	<u>3,390,177</u>	<u>2,531,465</u>
Less: short-term portion	(1,677,885)	(1,575,371)
	<u>\$ 1,712,292</u>	<u>\$ 956,094</u>

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, 2023

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:

	2023	2022
North Okanagan Hospice Society Endowment Fund ("NOHSEF")	\$ 518,465	\$ 529,741
North Okanagan Hospice Garden Fund ("NOHGF")	17,143	17,517
	<u>\$ 535,608</u>	<u>\$ 547,258</u>

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 \$19,286 (2022 - \$22,679) from the NOHSEF and \$638 (2022 - \$751) 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)
- 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, 2023

4. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 502,435	\$ -	\$ 502,435	\$ 502,435
Building	2,677,228	1,490,347	1,186,881	1,230,438
House furniture and equipment	343,388	216,256	127,132	60,327
Landscaping	103,916	74,321	29,595	15,791
Office equipment	101,101	67,821	33,280	28,051
Medical equipment	258,715	134,729	123,986	127,086
Software	52,112	44,941	7,171	-
	<u>\$ 4,038,895</u>	<u>\$ 2,028,415</u>	<u>\$ 2,010,480</u>	<u>\$ 1,964,128</u>

5. Payroll liabilities:

Included in payroll liabilities are government remittances payable of \$22,347 (2022 - \$22,552) for payroll related taxes.

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% (2022 - 12%) of earnings. Total sick time accrued at March 31, 2023 is \$44,868 (2022 - \$56,975). These benefits are not paid out upon termination and any unpaid amounts revert to the Society.

NORTH OKANAGAN HOSPICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2023

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, beginning of year	\$ 1,925,000	\$ 540,000	\$ 2,465,000
Expenditures	-	(115,805)	(115,805)
Transfers	373,000	330,000	703,000
Balance, end of year	\$ 2,298,000	\$ 754,195	\$ 3,052,195

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, 2023

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.

	2023	2022
Balance, beginning and end of year	\$ 61,973	\$ 61,973

8. 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, 2023

9. Economic dependence:

During the fiscal year ending March 31, 2023, the Society received 64% (2022 - 63%) of its operational funding from the Interior Health Authority ("IHA"). The Society's contract with IHA expires on September 30, 2025 and is expected to be renewed before that time.

10. Remuneration:

For the fiscal year ending March 31, 2023, the Society paid total remuneration of \$563,351 (2022 - \$349,620) to 6 (2022 - 4) employees and contractors for services, each of whom received total remuneration of \$75,000 or greater.

The Society paid \$nil (2022 - \$nil) remuneration to its Directors in the fiscal period ended March 31, 2023.

11. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.

NORTH OKANAGAN HOSPICE SOCIETY

Schedule 1 - Fundraising Activities

Year ended March 31, 2023, with comparative figures for 2022

	2023	2022
Revenue:		
Special events	\$ 136,411	\$ 97,861
Donations	311,037	287,253
Bequests	114,018	66,185
Gaming	35,448	20,000
Events sponsorship	12,831	3,950
Community organization	4,065	19,980
BC Gaming-Community Groups	26,348	3,000
Other grants	148,134	19,995
	<u>788,292</u>	<u>518,224</u>
Expenses:		
Event expenditures	56,336	15,159
Salaries and benefits	119,003	110,054
	<u>175,339</u>	<u>125,213</u>
	<u>\$ 612,953</u>	<u>\$ 393,011</u>