

INSPIREHEALTH SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2018

## INDEPENDENT AUDITOR'S REPORT

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To the Members of  
InspireHealth Society

We have audited the accompanying financial statements of InspireHealth Society which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets, and cash flows for the year then ended, and 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.

### **Auditor's 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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### **Basis for Qualified Opinion**

In common with many charitable organizations, the Society derives some revenue from voluntary contributions and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, the excess of revenue over expenses, or assets and net assets.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2018, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*Collins Barrow Vancouver*

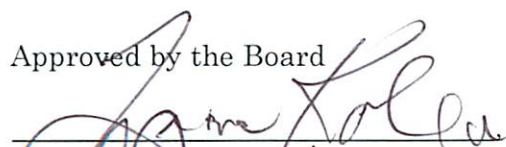
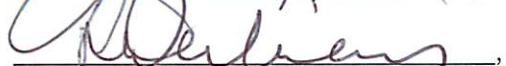
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
July 13, 2018

INSPIREHEALTH SOCIETY  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2018

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets			
Cash		\$ 615,063	\$ 387,808
Accounts receivable		27,650	163,369
GST receivable		7,748	8,693
Inventory of supplies		24,381	65,959
Prepaid expenditures		<u>36,225</u>	<u>42,371</u>
		711,067	668,200
Capital assets (note 4)		<u>180,845</u>	<u>61,127</u>
		<u>\$ 891,912</u>	<u>\$ 729,327</u>
	<u>LIABILITIES</u>		
Current liabilities			
Accounts payable and accrued liabilities		\$ 115,920	\$ 87,255
Government remittances payable		14,869	12,288
Deferred contributions		140,624	93,952
Current portion of leasehold inducement		<u>11,851</u>	<u>---</u>
		283,264	193,495
Leasehold inducement (note 5)		<u>66,171</u>	<u>---</u>
		<u>349,435</u>	<u>193,495</u>
	<u>NET ASSETS</u>		
Invested in capital assets		180,845	61,127
Unrestricted net assets		<u>361,632</u>	<u>474,705</u>
		<u>542,477</u>	<u>535,832</u>
		<u>\$ 891,912</u>	<u>\$ 729,327</u>

Approved by the Board

 Director  
 Director

See accompanying notes to the financial statements.



INSPIREHEALTH SOCIETY  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Revenue		
Grants - provincial government (note 2)	\$ 1,766,500	\$ 1,734,709
- private	187,500	210,000
Donations	283,268	338,434
Fundraising events	228,337	148,821
Cookbook and other	<u>39,261</u>	<u>55,689</u>
	<u>2,504,866</u>	<u>2,487,653</u>
Expenditures		
Amortization of capital assets	26,887	23,897
Cookbook and other	38,826	108,037
Fundraising and newsletters	8,082	14,049
Insurance	7,685	7,801
Office, supplies and other	138,251	133,846
Presentations and public relations	28,097	18,240
Professional and consultant fees	98,810	87,890
Program expenses	38,251	38,902
Rent	329,588	364,344
Salaries, contractors, and benefits	1,765,711	1,720,696
Telephone	<u>18,033</u>	<u>23,330</u>
	<u>2,498,221</u>	<u>2,541,032</u>
Excess (deficiency) of revenue over expenditures for the year	<u>\$ 6,645</u>	<u>\$ (53,379)</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2018

	Invested in Capital Assets	Unrestricted	Total
Net assets, March 31, 2016	\$ 68,225	\$ 520,986	\$ 589,211
Deficiency of revenue over expenditures for the year ended March 31, 2017	(23,897)	(29,482)	(53,379)
Invested in capital assets	<u>16,799</u>	<u>(16,799)</u>	<u>---</u>
Net assets, March 31, 2017	61,127	474,705	535,832
Excess (deficiency) of revenue over expenditures for the year ended March 31, 2018	(26,887)	33,532	6,645
Invested in capital assets	<u>146,605</u>	<u>(146,605)</u>	<u>---</u>
Net assets, March 31, 2018	<u>\$ 180,845</u>	<u>\$ 361,632</u>	<u>\$ 542,477</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Cash from (used in) operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 6,645	\$ (53,379)
Items not involving cash		
Amortization of capital assets	26,887	23,897
Deferred contributions, net	<u>124,694</u>	<u>67,309</u>
	158,226	37,827
Net change in non-cash working capital balances		
Accounts receivable	135,719	44,991
GST receivable	945	6,973
Inventory of supplies	41,578	(26,934)
Prepaid expenditures	6,146	33,142
Accounts payable and accrued liabilities	28,665	15,667
Government remittances payable	<u>2,581</u>	<u>(1,789)</u>
	<u>373,860</u>	<u>109,877</u>
Cash used in investing activities		
Acquisition of capital assets	<u>(146,605)</u>	<u>(16,799)</u>
Increase in cash during the year	227,255	93,078
Cash, beginning of the year	<u>387,808</u>	<u>294,730</u>
Cash, end of the year	<u>\$ 615,063</u>	<u>\$ 387,808</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

1. General information

InspireHealth Society ("Society") is a non-profit society formed for the purpose of providing integrated and complementary health care, including seminars, counselling and other assistance for patients with cancer. The Society is under the Societies Act and is a registered charitable organization under the Income Tax Act.

2. Economic dependence

The Society is dependent on receiving government and private grants and donations to sustain its operations. The Province of British Columbia Ministry of Health has confirmed its commitment to provide transitional funding to the Society of up to \$1,700,000 for the year ending March 31, 2019. Ongoing funding is subject to further discussions.

3. Summary of significant accounting policies

The Society's accounting policies and its standards of financial disclosure are in accordance with Canadian accounting standards for not-for-profit organizations.

a) Fund accounting

InspireHealth Society follows the restricted fund method of accounting for contributions.

The general fund accounts for the Society's operations. This fund reports unrestricted resources.

The capital asset fund reports only restricted resources that were used in the acquisition of capital assets used by the Society.

b) Inventory of supplies

The inventory of supplies are recorded at the lower of cost or fair market value.

c) Capital assets

Purchased capital assets are recorded at cost. The provision for amortization is calculated on the declining balance basis at the following annual rates:

Computer equipment	- 30%
Computer software	- 100%
Furniture and equipment	- 20%
Library	- 30%

Leasehold improvements are amortized over the term of the lease on the straight-line basis, and website costs are amortized on the straight-line basis over seven years.



INSPIREHEALTH SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

3. Significant accounting policies - continued

d) Leasehold inducements

Leasehold inducements are recognized as an adjustment to rental expense such that rental expense net of inducements is recorded on a straight-line basis over the term of the lease.

e) Revenue recognition

The Society follows the deferral method of accounting for contributions to the general fund. Restricted contributions to the general fund are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions, including bequests, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions to the capital asset fund are recorded as revenue when received.

f) Donated services

The value of services performed by volunteers on behalf of the Society is not recorded in the accounts as the fair value of the services contributed cannot be reasonably estimated.

g) Financial instruments

All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at cost or amortized cost using the effective interest method. Financial assets measured at amortized cost include cash, accounts receivable and GST receivable. Financial liabilities measured at amortized cost include accounts payable and government remittances payable. Financial assets measured at amortized cost are tested for impairment at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in the statement of operations and changes in net assets. A reversal may be recorded provided the carrying value does not exceed original cost. The amount of the reversal, if any, is recognized in the statement of operations and changes in fund balance.

INSPIREHEALTH SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

3. Significant accounting policies - continued

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of its accounts receivable, inventory of supplies, prepaid expenditures, the determination of useful lives of capital assets for purposes of calculating amortization, and the determination of the balance of deferred contributions.

4. Capital assets

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 177,834	\$ 156,952	\$ 20,882	\$ 21,950
Computer software	171,236	171,236	---	---
Furniture and equipment	194,114	164,260	29,854	30,093
Leasehold improvements	307,283	183,611	123,672	988
Library	15,805	15,528	277	396
Website	<u>55,028</u>	<u>48,868</u>	<u>6,160</u>	<u>7,700</u>
	<u>\$ 921,300</u>	<u>\$ 740,455</u>	<u>\$ 180,845</u>	<u>\$ 61,127</u>

5. Leasehold inducements

	<u>2018</u>
Leasehold inducements	\$ 78,022
Current portion	<u>(11,851)</u>
	<u>\$ 66,171</u>

Leasehold inducements includes the unamortized portion of cash inducements of \$82,960 with respect to 2018.



INSPIREHEALTH SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

6. Other information

a) Financial instruments risks

The main risks the Society's financial instruments are exposed to are credit risk and liquidity risk, each of which is discussed below.

- i) Credit risk - The financial instruments that potentially subject the Society to a significant concentration of credit risk are cash and accounts receivable. The Society mitigates its exposure to credit loss by placing its cash with a major financial institution. The Society routinely assesses the financial strength of its debtors and as a consequence, believes that its accounts receivable credit risk exposure is limited.
- ii) Liquidity risk - Liquidity risk relates to the risk the Society will encounter difficulty in meeting its obligations associated with financial liabilities. Its financial liabilities consist of accounts payable and government remittances payable. Management closely monitors cash flow requirements to ensure that it has sufficient cash available to meet operational and financial obligations.

b) Bank credit facility

The Society has a bank credit facility of up to \$85,000 which is secured by a general security agreement covering all personal property of the Society. Interest is payable at the bank's prime rate plus 1.8%. At March 31, 2018, the Society had not drawn on the facility.

c) Remuneration

During the year, the Society paid six (2017 - six) employees and contractors remuneration of at least \$75,000 and their remuneration aggregated \$790,331 (2017 - \$680,829).

d) Comparative figures

The comparative figures have been reclassified, where applicable, to conform with the presentation used in the current year.

7. Lease commitments

The Society is committed to premises leases. The leases provide for the following minimum aggregate rental payments over the next five years:

Year ending March 31	2019	\$	180,293
	2020	\$	181,308
	2021	\$	160,422
	2022	\$	132,306
	2023	\$	111,996
	2024 to 2025	\$	167,994

In addition, the Society is responsible for its share of common operating costs.

During the 2017 year, the Society entered into an agreement to lease its Vancouver premises through to 2025. The total base rent related to the Vancouver premises total \$847,100.