

INSPIREHEALTH SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2016

INDEPENDENT AUDITOR'S REPORT

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, 2016 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, 2016, 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 Society 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

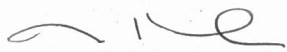
CHARTERED PROFESSIONAL ACCOUNTANTS

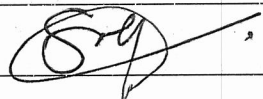
Vancouver, Canada
July 26, 2016

INSPIREHEALTH SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets			
Cash		\$ 294,730	\$ 429,031
Accounts receivable		208,360	242,420
GST receivable		15,666	16,167
Inventory of supplies		39,025	23,754
Prepaid expenditures		<u>75,513</u>	<u>39,325</u>
		633,294	750,697
Capital assets (note 4)		<u>68,225</u>	<u>95,729</u>
		<u>\$ 701,519</u>	<u>\$ 846,426</u>
 <u>LIABILITIES</u> 			
Current liabilities			
Accounts payable and accrued liabilities		\$ 71,588	\$ 115,297
Government remittances payable		14,077	18,311
Deferred contributions		<u>26,643</u>	<u>71,272</u>
		<u>112,308</u>	<u>204,880</u>
 <u>NET ASSETS</u> 			
Invested in capital assets		68,225	95,729
Unrestricted net assets		<u>520,986</u>	<u>545,817</u>
		<u>589,211</u>	<u>641,546</u>
		<u>\$ 701,519</u>	<u>\$ 846,426</u>

Approved by the Board


_____, Director


_____, Director

INSPIREHEALTH SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Grants - provincial government (note 2)	\$ 1,735,731	\$ 2,148,533
- private	250,000	250,000
Donations	315,475	321,612
Memberships and other (note 5(c))	---	179,495
Fundraising events	71,494	27,970
Other	<u>14,856</u>	<u>34,389</u>
	<u>2,387,556</u>	<u>2,961,999</u>
Expenditures		
Amortization of capital assets	35,137	48,819
Fundraising and newsletters	5,361	5,233
Insurance	7,950	7,630
Office, supplies and other	110,407	155,008
Presentations and public relations	22,246	43,421
Professional and consultant fees	24,551	68,842
Program expenses	79,563	75,183
Rent	379,136	361,201
Salaries and benefits	1,702,402	2,122,333
Sub-contract fees	48,239	43,019
Telephone	<u>24,899</u>	<u>24,574</u>
	<u>2,439,891</u>	<u>2,955,263</u>
Excess (deficiency) of revenue over expenditures for the year	<u>\$ (52,335)</u>	<u>\$ 6,736</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets, March 31, 2014	\$ 138,904	\$ 495,906	\$ 634,810
Excess (deficiency) of revenue over expenditures for the year ended March 31, 2015	<u>(43,175)</u>	<u>49,911</u>	<u>6,736</u>
Net assets, March 31, 2015	95,729	545,817	641,546
Deficiency of revenue over expenditures for the year ended March 31, 2016	(35,137)	(17,198)	(52,335)
Invested in capital assets	<u>7,633</u>	<u>(7,633)</u>	<u>---</u>
Net assets, March 31, 2016	<u>\$ 68,225</u>	<u>\$ 520,986</u>	<u>\$ 589,211</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Cash from (used in) operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ (52,335)	\$ 6,736
Items not involving cash		
Amortization	35,137	48,819
Deferred contributions, net	<u>(44,629)</u>	<u>(70,814)</u>
	(61,827)	(15,259)
Net change in non-cash working capital balances		
Accounts receivable	34,060	(36,757)
GST receivable	501	7,170
Inventory of supplies	(15,271)	10,972
Prepaid expenditures	(36,188)	(1,830)
Accounts payable and accrued liabilities	(43,709)	2,009
Government remittances payable	<u>(4,234)</u>	<u>(1,936)</u>
	<u>(126,668)</u>	<u>(35,631)</u>
Cash used in investing activities		
Acquisition of capital assets	<u>(7,633)</u>	<u>(5,644)</u>
Decrease in cash during the year	(134,301)	(41,275)
Cash, beginning of the year	<u>429,031</u>	<u>470,306</u>
Cash, end of the year	<u>\$ 294,730</u>	<u>\$ 429,031</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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 was incorporated on April 7, 1977 under the Society Act (B.C.) 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, 2017. 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 five years.

INSPIREHEALTH SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

3. Significant accounting policies - continued

d) 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.

e) 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.

f) 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.

g) 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.

INSPIREHEALTH SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

4. Capital assets

	2016			2015
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 164,854	\$ 138,596	\$ 26,258	\$ 30,877
Computer software	171,236	171,236	---	---
Furniture and equipment	182,890	149,274	33,616	41,020
Leasehold improvements	175,783	171,954	3,829	14,519
Library	15,805	15,239	566	809
Website	47,328	43,372	3,956	8,504
	<u>\$ 757,896</u>	<u>\$ 689,671</u>	<u>\$ 68,225</u>	<u>\$ 95,729</u>

5. 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 and short-term investments 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, 2016, the Society had not drawn on the facility.

c) Memberships

At April 1, 2015 the Society ceased charging for memberships.

d) Comparative figures

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

INSPIREHEALTH SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

6. 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, 2017	\$ 211,476
2018	\$ 153,730
2019	\$ 79,174
2020	\$ 80,189
2021	\$ 51,061

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