

**TO BE SIGNED BY
THE DIRECTORS AND
RETURNED TO BAKER TILLY**

INSPIREHEALTH SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of InspireHealth Society:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of InspireHealth Society (the "Society"), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the 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 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, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue or fundraising events revenue, excess of revenues over expenditures, and cash flows from operating activities for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 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 qualified audit 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 these 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.

We 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 principles in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Baker Tilly WTR LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 19, 2019

INSPIREHEALTH SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets			
Cash		\$ 557,993	\$ 615,063
Accounts receivable		150,913	27,650
GST receivable		15,454	7,748
Inventory of supplies		6,922	24,381
Prepaid expenditures		<u>36,775</u>	<u>36,225</u>
		768,057	711,067
Capital assets (Note 4)		<u>152,844</u>	<u>180,845</u>
		<u>\$ 920,901</u>	<u>\$ 891,912</u>

	<u>LIABILITIES</u>	
Current liabilities		
Accounts payable and accrued liabilities		\$ 103,395 \$ 115,920
Government remittances payable		14,684 14,869
Deferred contributions		132,163 140,624
Current portion of leasehold inducement (Note 5)		<u>11,851</u> <u>11,851</u>
		262,093 283,264
Leasehold inducement (Note 5)		<u>54,320</u> <u>66,171</u>
		<u>316,413</u> <u>349,435</u>

	<u>NET ASSETS</u>	
Invested in capital assets		152,844 180,845
Unrestricted net assets		<u>451,644</u> <u>361,632</u>
		<u>604,488</u> <u>542,477</u>
		<u>\$ 920,901</u> <u>\$ 891,912</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, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Grants - provincial government (Note 2)	\$ 1,778,000	\$ 1,766,500
- private	200,100	187,500
Donations	253,393	283,268
Fundraising events	268,728	228,337
Cookbook and other	<u>35,954</u>	<u>39,261</u>
	<u>2,536,175</u>	<u>2,504,866</u>
Expenditures		
Amortization of capital assets	34,249	26,887
Cookbook and other	17,072	38,826
Fundraising and newsletters	102,926	67,429
Insurance	7,891	7,685
Office, supplies and other	74,606	78,904
Presentations and public relations	29,063	28,097
Professional and consultant fees	84,763	98,810
Program costs	31,438	38,251
Rent	314,597	329,588
Salaries, contractors, and benefits	1,769,824	1,765,711
Telephone	<u>7,735</u>	<u>18,033</u>
	<u>2,474,164</u>	<u>2,498,221</u>
Excess of revenue over expenditures for the year	<u>\$ 62,011</u>	<u>\$ 6,645</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</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	180,845	361,632	542,477
Excess (deficiency) of revenue over expenditures for the year ended March 31, 2019	(34,249)	96,260	62,011
Invested in capital assets	<u>6,248</u>	<u>(6,248)</u>	<u>---</u>
Net assets, March 31, 2019	<u>\$ 152,844</u>	<u>\$ 451,644</u>	<u>\$ 604,488</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Cash from (used in) operating activities		
Excess of revenue over expenditures for the year	\$ 62,011	\$ 6,645
Items not involving cash		
Amortization of capital assets	34,249	26,887
Amortization of leasehold inducement	<u>(11,851)</u>	<u>(4,938)</u>
	84,409	28,594
Net change in non-cash working capital balances		
Accounts receivable	(123,263)	135,719
GST receivable	(7,706)	945
Inventory of supplies	17,459	41,578
Prepaid expenditures	(550)	6,146
Accounts payable and accrued liabilities	(12,525)	28,665
Government remittances payable	(185)	2,581
Deferred contributions	<u>(8,461)</u>	<u>46,672</u>
	<u>(50,822)</u>	<u>290,900</u>
Cash used in investing activities		
Acquisition of capital assets	<u>(6,248)</u>	<u>(146,605)</u>
Cash from financing activities		
Proceeds from leasehold inducement	<u>---</u>	<u>82,960</u>
(Decrease) increase in cash during the year	(57,070)	227,255
Cash, beginning of the year	<u>615,063</u>	<u>387,808</u>
Cash, end of the year	<u>\$ 557,993</u>	<u>\$ 615,063</u>

See accompanying notes to the financial statements.

INSPIREHEALTH SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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 incorporated 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, 2020.

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, 2019

3. Significant accounting policies - continued

d) Leasehold inducement

The leasehold inducement is recognized as an adjustment to rent such that rent net of the inducement 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 and accounts receivable. Financial liabilities measured at amortized cost include accounts 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. 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.

INSPIREHEALTH SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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 expenditures 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, 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>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 181,384	\$ 164,282	\$ 17,102	\$ 20,882
Computer software	171,236	171,236	---	---
Furniture and equipment	196,812	170,771	26,041	29,854
Leasehold improvements	307,283	202,396	104,887	123,672
Library	15,805	15,611	194	277
Website	55,028	50,408	4,620	6,160
	<u>\$ 927,548</u>	<u>\$ 774,704</u>	<u>\$ 152,844</u>	<u>\$ 180,845</u>

5. Leasehold inducement

	<u>2019</u>	<u>2018</u>
Leasehold inducement	\$ 66,171	\$ 78,022
Current portion	<u>(11,851)</u>	<u>(11,851)</u>
	<u>\$ 54,320</u>	<u>\$ 66,171</u>

Leasehold inducement includes the unamortized portion of a cash inducement of \$82,960.

INSPIREHEALTH SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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. 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, 2019, the Society had not drawn on the facility.

c) Remuneration

During the year, the Society paid four (2018 - six) employees and contractors remuneration of at least \$75,000 and their remuneration aggregated \$578,985 (2018 - \$790,331).

d) Comparative figures

The comparative figures have been reclassified, where applicable, to conform with the presentation 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 2020	\$ 181,308
2021	\$ 160,422
2022	\$ 132,306
2023	\$ 111,996
2024	\$ 111,996
Thereafter	\$ 55,998

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