

RED DEER HOSPICE SOCIETY



Independent Auditor's Report and Financial Statements

August 31, 2019



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Red Deer Hospice Society

Qualified Opinion

We have audited the financial statements of Red Deer Hospice Society ("the Society"), which comprise the statement of financial position as at August 31, 2019, and the statements of changes in net assets, operations and 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 effects of the matter described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2019 and the results of its 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 not-for-profit organizations, the Society derives revenue from fundraising activities and donations, 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 fundraising or donation revenue, excess of revenues over expenditures, and cash flows from operations for the year ended August 31, 2019, current assets as at August 31, 2019, and net assets as at September 1, 2018 and August 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended August 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 opinion.

Other Matter

The financial statements of the Society for the year ended August 31, 2018 were audited by another public accounting firm who expressed a qualified opinion on those statements on November 13, 2018 for the reasons described in the *Basis for Qualified Opinion* section.

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INDEPENDENT AUDITOR'S REPORT, continued

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.

INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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.

Red Deer County, Alberta

December 18, 2019

RSM Alberta LLP

Chartered Professional Accountants

RED DEER HOSPICE SOCIETY

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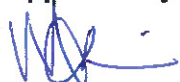
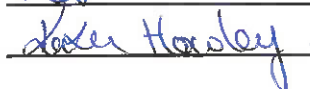
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RED DEER HOSPICE SOCIETY
Statement of Financial Position
As at August 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash (note 3)	\$ 1,088,793	\$ 296,630
Accounts receivable	3,887	6,082
Goods and Services Tax receivable	93,024	17,670
Investments (note 4)	400,000	1,096,802
Inventory	1,238	1,238
Prepaid expenses	<u>492</u>	<u>14,420</u>
	1,587,434	1,432,842
Investments (note 4)	354,125	640,516
Capital assets (note 5)	<u>5,452,561</u>	<u>1,851,513</u>
	<u>\$ 7,394,120</u>	<u>\$ 3,924,871</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 6)	\$ 531,110	\$ 372,611
Deferred revenue (note 7)	-	28,408
Mortgage payable (note 8)	<u>2,217,392</u>	<u>-</u>
	2,748,502	401,019
Unamortized deferred capital contributions (note 9)	2,498,915	1,685,404
Deferred contributions (note 10)	<u>-</u>	<u>48,707</u>
	<u>5,247,417</u>	<u>2,135,130</u>
NET ASSETS		
Invested in capital assets	732,789	166,109
Internally restricted (note 11)	-	1,208,052
Unrestricted	<u>1,413,914</u>	<u>415,580</u>
	<u>2,146,703</u>	<u>1,789,741</u>
	<u>\$ 7,394,120</u>	<u>\$ 3,924,871</u>

Approved by the board:


 _____ Director

 _____ Director

RED DEER HOSPICE SOCIETY
Statement of Changes in Net Assets
Year ended August 31, 2019

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	\$ 166,109	\$ 1,208,052	\$ 415,580	\$ 1,789,741	\$ 1,727,344
Excess (deficiency) of revenues over expenditures	(8,676)	-	365,638	356,962	62,397
Transfers	<u>575,356</u>	<u>(1,208,052)</u>	<u>632,696</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 732,789</u>	<u>\$ -</u>	<u>\$ 1,413,914</u>	<u>\$ 2,146,703</u>	<u>\$ 1,789,741</u>

RED DEER HOSPICE SOCIETY
Statement of Operations
Year ended August 31, 2019

	2019	2018
Revenues		
Alberta Health Services	\$ 1,627,394	\$ 841,174
Donations	423,408	481,670
Fundraising	361,554	650,260
Amortization of deferred capital contributions	70,481	81,340
Investment income	37,128	57,570
Meals	8,032	9,758
Memberships	166	320
Fundraising - expansion	76,132	11,265
	<u>2,604,295</u>	<u>2,133,357</u>
Expenditures		
Wages and benefits	1,792,640	1,578,003
Fundraising	96,909	206,076
Amortization	75,692	80,577
Utilities	55,132	40,638
Repairs and maintenance	39,154	46,976
Professional fees	35,524	43,878
Food	30,284	34,511
Training and education	22,176	2,801
Medical supplies	14,702	10,653
Office	12,064	11,207
Insurance	8,539	7,587
Bereavement program	5,467	335
Interest and bank charges	5,223	5,515
Telephone	4,093	4,536
Recruitment	3,660	2,665
Organizational memberships	3,446	1,544
Fundraising - expansion	76,132	11,265
	<u>2,280,837</u>	<u>2,088,767</u>
Excess of revenues over expenditures from operations	<u>323,458</u>	<u>44,590</u>
Other revenues (expenses)		
Gain on sale of long-term investments	47,515	17,432
Realized gain on foreign exchange	2,442	3,704
Unrealized loss on long-term investments	(16,453)	(3,329)
	<u>33,504</u>	<u>17,807</u>
Excess of revenues over expenditures	<u>\$ 356,962</u>	<u>\$ 62,397</u>

RED DEER HOSPICE SOCIETY
Statement of Cash Flows
Year ended August 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from funders and fundraising	\$ 2,361,120	\$ 1,927,659
Cash paid to suppliers and employees	(1,996,957)	(1,665,026)
Investment income received	37,128	58,327
Interest paid	<u>(5,223)</u>	<u>(5,515)</u>
	<u>396,068</u>	<u>315,445</u>
Investing activities		
Purchase of investments	(756,451)	(749,027)
Proceeds on sale of investments	1,776,610	814,439
Purchase of capital assets	(3,676,741)	(544,352)
Deferred capital contributions received	<u>835,285</u>	<u>307,453</u>
	<u>(1,821,297)</u>	<u>(171,487)</u>
Financing activity		
Proceeds of mortgage payable	<u>2,217,392</u>	<u>-</u>
Increase in cash	792,163	143,958
Cash, beginning of year	<u>296,630</u>	<u>152,672</u>
Cash, end of year	<u><u>\$ 1,088,793</u></u>	<u><u>\$ 296,630</u></u>

Excluded from the statement of cash flows is \$29,759 (2018 - \$79,501) of gifts in kind received during the year.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

August 31, 2019

1. Nature of Operations

Red Deer Hospice Society is a not-for-profit organization established to provide physical, social, emotional and spiritual care in a home like setting for terminally ill individuals and their loved ones within Central Alberta. The Society is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act and is therefore exempt from income tax in accordance with section 149 of the Income Tax Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

Measurement uncertainty

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 at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include allowance for doubtful accounts, estimated useful lives of capital assets and contributed goods and services. Actual results may differ from management's best estimates as additional information becomes available in the future.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a specific item basis. Net realizable value is assessed at each balance sheet date and a write down is recorded as necessary. The amount of the write down may be reversed (up to the original amount of the write down) where there is a change in the economic circumstances.

Financial instruments

The Society measures its financial instruments initially at fair value and subsequently measures them at amortized cost except for investments which are measured at fair value.

Investments

Investments are recorded at fair market value. Unrealized gains or losses as a result of market value adjustments at year-end are included on the statement of operations.

2. Significant Accounting Policies, continued

Capital assets

Amortization of capital assets is calculated using the following rates and methods:

Buildings	4% Declining balance
Furniture and fixtures	20% Declining balance
Medical equipment	20% Declining balance
Computer equipment	30% Declining balance
Computer software	50% Straight-line

One half amortization is calculated in the year of acquisition. No amortization is calculated in the year of disposition.

When capital assets no longer contribute to the Society's ability to provide services, their carrying value is written down to their residual value.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital contributions are deferred and amortized into revenue over the life of the asset to which the revenue is related.

Investment and other income are recognized as revenue when earned.

Contributed goods and services

Contributed goods and services are an integral part of the Society's operations. Contributed goods, services or gifts in kind are recorded in the financial statements based on the estimated fair market value at the time of the donation. Contributed goods and services where the fair value cannot be reasonably estimated are not recorded in the financial records due to the difficulties in determining their fair value.

Volunteers contributed approximately 7,130 hours (2018 - 6,797 hours) of unpaid time to assist the Society in carrying out its activities in the past year. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

2. Significant Accounting Policies, continued

Foreign currency transactions

The Society's foreign investments are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date.

3. Cash

Included in cash is \$0 (2018 - \$2,001) of casino funds that are restricted by the Alberta Gaming, Liquor and Cannabis Commission.

Included in cash is \$218,342 (2018 - \$106,969) that is restricted for costs related to the expansion of the building.

4. Investments

The Society has established a managed investment portfolio with RBC Dominion Securities. Included in these funds is \$0 (2018 - \$48,707) of externally restricted capital contributions and \$0 (2018 - \$1,201,052) of internally restricted funds to be used for purposes noted in Note 11. The estimated annual rate of return on the investments is 5.83% (2018 - 3.91%).

\$400,000 of the investments have been classified as current due to the fact that the funds will be withdrawn in the next 12 months. All other funds have been classified as long-term. Interest earned on the investments is not restricted and is available for general operations.

RED DEER HOSPICE SOCIETY
Notes to the Financial Statements
August 31, 2019

5. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net</u>	<u>2018 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	5,879,995	718,796	5,161,199	1,532,650
Furniture and fixtures	374,723	296,420	78,303	97,879
Medical equipment	236,121	192,905	43,216	48,048
Computer equipment	30,502	25,909	4,593	6,562
Computer software	10,297	10,297	-	1,124
	<u>\$ 6,696,888</u>	<u>\$ 1,244,327</u>	<u>\$ 5,452,561</u>	<u>\$ 1,851,513</u>

Included in buildings are costs of \$4,050,871 (2018 - \$541,713) related to the expansion of the existing building which is not in use and is not currently being amortized.

6. Accounts Payable and Accruals

	<u>2019</u>	<u>2018</u>
Trade accounts payable and accruals	\$ 128,944	\$ 102,918
Accounts payable - building expansion	380,705	253,985
Source deductions payable	21,461	15,708
	<u>\$ 531,110</u>	<u>\$ 372,611</u>

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7. Deferred Revenue

Deferred revenue consists of unexpended funds which are restricted by the funder to be used for specific purposes.

	<u>2019</u>	<u>2018</u>
Handbag Luncheon funds	\$ -	\$ 15,981
Bereavement funds	-	9,936
Casino funds	-	2,491
	<u>\$ -</u>	<u>\$ 28,408</u>

8. Mortgage Payable

	<u>2019</u>	<u>2018</u>
Mortgage payable on demand including interest at prime (currently 3.95%) plus 1.00%.	<u>\$ 2,217,392</u>	<u>\$ -</u>

The mortgage is payable on demand, therefore, disclosed as current. Funds were drawn for the purposes of funding the building expansion. The mortgage renews in November 2020 and no principal repayments will be collected until construction is completed.

Collateral is provided by a general security agreement covering all present and after acquired property and land and building (net book value \$5,326,449).

After construction is completed and the final amount is advanced the Society will have to maintain a debt service coverage ration of not less than 1.10 to 1.

RED DEER HOSPICE SOCIETY
Notes to the Financial Statements
August 31, 2019

9. Unamortized Deferred Capital Contributions

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,685,404	\$ 1,225,031
Contributions	883,992	541,713
Amortization	<u>(70,481)</u>	<u>(81,340)</u>
Balance, end of year	<u>\$ 2,498,915</u>	<u>\$ 1,685,404</u>

Unamortized deferred capital contributions represents the funded portion of capital assets which will be recognized as revenue on the same basis as the amortization of the related capital assets. The amortization of capital contributions is reported as revenue in the statement of operations.

Part of the deferred capital contributions represents funding received for the expansion of the existing building. No revenue is recognized, as the related capital asset is not available for use.

10. Deferred Contributions

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 48,707	\$ 282,967
Contributions received	835,285	307,453
Contributions spent	<u>(883,992)</u>	<u>(541,713)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 48,707</u>

Deferred contributions represent unspent grants and donations for which the donor has specified that the amount be used for capital purposes.

RED DEER HOSPICE SOCIETY
Notes to the Financial Statements
August 31, 2019

11. Restricted Net Assets

The internally restricted funds include:

	<u>2019</u>	<u>2018</u>
Capital Asset Fund	\$ -	\$ 896,970
Legacy Fund	-	175,000
Building Reserve Fund	-	<u>136,082</u>
	<u>\$ -</u>	<u>\$ 1,208,052</u>

The Capital Asset Fund is set aside for the purchase of future capital assets. These funds were used for the building expansion in the current year.

The Legacy Fund is to be used to fund future operations of the Society. During the year, these funds were transferred to the Capital Asset Fund to assist in the expansion throughout the year.

The Building Reserve Fund is to be used to fund any large repairs that may occur or replace older assets that are no longer in a usable condition. The Board of Directors approved the transfer of all of these funds to the Capital Asset Fund in the current year.

During the year the these three funds were used to assist in the expansion costs.

12. External Endowment

In 2008, a contribution was made to the Red Deer and District Community Foundation as an endowment naming the Red Deer Hospice Society as the beneficiary. The endowment remains an asset of the Red Deer and District Community Foundation; however, any interest earned is available to the Red Deer Hospice Society for general operations. As at December 31, 2018, the market value of this endowment was \$27,896 (December 31, 2017 - \$29,250) and the gross interest received for the year was \$975 (2017 - \$975).

13. Financial Risk Management

The Society's financial instruments consist of cash, accounts receivable, investments, accounts payable and accruals and mortgage payable. It is management's opinion that the Society is not exposed to significant interest, currency, market, liquidity or credit risk arising from these financial instruments except as follows:

13. Financial Risk Management, continued

Market risk

The Society is exposed to market price risk as certain investments are traded in the market. This is mitigated through diversification of securities across industry sectors, type of security and by carrying both domestic and foreign holdings.

Interest rate risk

The Society is exposed to interest rate price risk as certain investments bear interest at a fixed interest rate.

The Society is exposed to interest rate cash flow risk as the mortgage payable bears interest at a floating rate.

Currency risk

The Society is exposed to currency price risk as certain investments are denominated in a foreign currency. This risk is mitigated by the fact that the Society held less than 26.60% (2018 - 27.99%) of foreign securities in its portfolio at year end.

14. Economic Dependence

The Society is dependent on funding to maintain its operations. A significant portion of funding is received from Alberta Health Services. If funding was not received, operations would be significantly impacted. During the year the Society received revenue of \$1,627,394 (2018 - \$841,174) from Alberta Health Services which supports 71.4% (2018 - 40.3%) of the total expenditures incurred.