

RED DEER HOSPICE SOCIETY

Independent Auditor's Report
and Financial Statements
March 31, 2021



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 March 31, 2021, 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 Red Deer Hospice Society as at March 31, 2021 and 2020 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 and donation 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 fundraising or donation revenue, excess of revenues over expenditures, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 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.

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.



INDEPENDENT AUDITOR'S REPORT, continued

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.



INDEPENDENT AUDITOR'S REPORT, continued

- 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

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Chartered Professional Accountants

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RED DEER HOSPICE SOCIETY

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RED DEER HOSPICE SOCIETY**Statement of Financial Position****As at March 31, 2021**

	2021	2020
ASSETS		
Current assets		
Cash (note 3)	\$ 760,830	\$ 810,342
Accounts receivable (note 4)	137,984	838,670
Goods and Services Tax receivable	13,448	28,032
Inventory	42,472	4,157
Prepaid expenses	6,173	7,444
	<u>960,907</u>	<u>1,688,645</u>
Investments (note 5)	379,992	325,376
Tangible capital assets (note 6)	<u>6,028,487</u>	<u>6,295,712</u>
	<u><u>\$ 7,369,386</u></u>	<u><u>\$ 8,309,733</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 7)	\$ 233,466	\$ 211,708
Deferred revenue (note 8)	80,194	-
Mortgage payable (note 9)	<u>696,813</u>	<u>2,000,000</u>
	<u>1,010,473</u>	<u>2,211,708</u>
Unamortized deferred capital contributions (note 10)	<u>3,407,486</u>	<u>3,208,518</u>
	<u><u>4,417,959</u></u>	<u><u>5,420,226</u></u>
NET ASSETS		
Invested in tangible capital assets	1,924,188	1,087,194
Unrestricted	<u>1,027,239</u>	<u>1,802,313</u>
	<u><u>2,951,427</u></u>	<u><u>2,889,507</u></u>
	<u><u>\$ 7,369,386</u></u>	<u><u>\$ 8,309,733</u></u>

Approved by the board:

Director

Director

RED DEER HOSPICE SOCIETY**Statement of Changes in Net Assets****Year ended March 31, 2021**

	Invested in Tangible Capital Assets	Unrestricted	Total March 31, 2021 (12 months)	Total March 31, 2020 (7 months)
Balance, beginning of year	\$ 1,087,194	\$ 1,802,313	\$ 2,889,507	\$ 2,146,703
Excess (deficiency) of revenues over expenditures	(134,760)	196,680	61,920	742,804
Transfer	971,754	(971,754)	-	-
Balance, end of year	<u>\$ 1,924,188</u>	<u>\$ 1,027,239</u>	<u>\$ 2,951,427</u>	<u>\$ 2,889,507</u>

RED DEER HOSPICE SOCIETY**Statement of Operations****Year ended March 31, 2021**

	2021 Budget (12 months) (unaudited)	March 31, 2021 Actual (12 months)	March 31, 2020 Actual (7 months)
Revenues			
Alberta Health Services	\$ 2,920,425	\$ 2,657,961	\$ 1,327,922
Donations	502,500	645,463	1,175,836
Amortization of deferred capital contributions	70,000	184,595	69,718
Fundraising	90,000	127,752	147,619
Investment income	2,500	13,993	6,545
Meals	20,000	9,406	13,308
Memberships	500	220	500
	<u>3,605,925</u>	<u>3,639,390</u>	<u>2,741,448</u>
Expenditures			
Wages and benefits	2,833,694	2,734,392	1,450,561
Amortization	250,000	319,355	162,113
Direct care costs	154,000	151,585	46,048
Repairs and maintenance	104,021	126,584	51,621
Fundraising	5,000	60,243	95,464
Interest on mortgage payable	66,000	59,374	70,716
Utilities	53,400	53,294	28,060
Professional fees	30,900	36,517	32,672
Board development	16,500	28,141	668
Office	27,700	22,749	9,803
IT and communications	19,760	23,421	9,070
Insurance	13,200	13,689	9,609
Training and education	30,500	9,113	7,633
Marketing and media	15,500	7,484	13,298
Interest and bank charges	4,750	5,191	2,790
Bereavement program	3,000	1,217	-
Organizational memberships	3,000	1,020	1,995
	<u>3,630,925</u>	<u>3,653,369</u>	<u>1,992,121</u>
Excess (deficiency) of revenues over expenditures from operations	<u>(25,000)</u>	<u>(13,979)</u>	<u>749,327</u>
Other revenues (expenditures)			
Unrealized gain (loss) on long-term investments	-	38,804	(28,749)
Government assistance	25,000	28,662	-
Gain on sale of long-term investments	-	5,664	21,618
Realized gain on foreign exchange	-	2,769	608
	<u>25,000</u>	<u>75,899</u>	<u>(6,523)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 61,920</u>	<u>\$ 742,804</u>

RED DEER HOSPICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2021

	March 31, 2021 (12 months)	March 31, 2020 (7 months)
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from funders and fundraising	\$ 4,092,287	\$ 1,840,246
Cash paid to suppliers and employees	(3,101,899)	(1,993,565)
Investment income received	13,993	6,545
Interest paid	(64,564)	(73,506)
	<u>939,817</u>	<u>(220,280)</u>
Investing activities		
Purchase of investments	(200,910)	(90,827)
Proceeds on sale of investments	183,334	468,599
Purchase of tangible capital assets	(52,129)	(994,864)
Deferred capital contributions received	<u>383,563</u>	<u>768,921</u>
	<u>313,858</u>	<u>151,829</u>
Financing activities		
Repayment of mortgage payable	(1,303,187)	(710,000)
Proceeds of mortgage payable	-	500,000
	<u>(1,303,187)</u>	<u>(210,000)</u>
Decrease in cash	(49,512)	(278,451)
Cash, beginning of year	<u>810,342</u>	<u>1,088,793</u>
Cash, end of year	<u>\$ 760,830</u>	<u>\$ 810,342</u>

Excluded from the statement of cash flows is \$158,057 (2020 - \$28,543) of gifts in kind received during the year, of which \$Nil (2020 - \$10,400) related to donated tangible capital assets.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

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 tangible capital assets and the value of contributed goods and services. Actual results may differ from management's best estimates as additional information becomes available in the future.

The impact that the ongoing COVID-19 pandemic may have on the Society's operations is based on management's best assessment of existing and potential government interventions both at a federal and provincial level which will determine if there is any impact on contributions received. There is also a significant increase in economic uncertainty that could have an impact on any long term investment interest and return on investment rates. Due to ongoing changes and development with COVID-19, it is not possible to reliably estimate the length and severity of these developments and the impact of the financial results and conditions of the Society 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.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

2. Significant Accounting Policies, continued

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.

Tangible capital assets

Amortization of tangible 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

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

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of the tangible capital assets is recorded as an expense in the statement of operations. A write-down is not reversed.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

2. Significant Accounting Policies, continued

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.

Government assistance is recognized as revenue in the year the related expenses are incurred.

During the year the Society paid \$78,208 of wages to receive \$1,156,777 of fundraising and donations, of which \$383,563 was treated as deferred capital contributions.

Contributed goods and services

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 hours decreased in the current year due to Ministerial restrictions from the global pandemic. Volunteers contributed approximately 1,808 hours (2020 - 3,478 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.

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.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

3. Cash

Included in cash is \$55,880 (2020 - \$nil) of casino and raffle funds that are restricted by the Alberta Gaming, Liquor and Cannabis (AGLC) as disclosed in note 8.

4. Accounts Receivable

In the previous year, the Society was named as the beneficiary of an estate and is expecting to receive \$135,791 (2020 - \$835,790) of unrestricted distributions from the Estate.

5. Investments

The Society has established a managed investment portfolio with an estimated annual rate of return on the investments of 5.90% (2020-4.93%).

6. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net</u>	<u>2020 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	6,610,615	1,077,722	5,532,893	5,763,430
Furniture and fixtures	495,285	347,039	148,246	169,287
Medical equipment	322,970	225,262	97,708	108,767
Computer equipment	149,865	65,475	84,390	88,978
	<u>\$ 7,743,985</u>	<u>\$ 1,715,498</u>	<u>\$ 6,028,487</u>	<u>\$ 6,295,712</u>

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

7. Accounts Payable and Accruals

	<u>2021</u>	<u>2020</u>
Trade accounts payable and accruals	\$ 180,184	\$ 182,285
Source deductions payable	<u>53,282</u>	<u>29,423</u>
	<u>\$ 233,466</u>	<u>\$ 211,708</u>

8. Deferred Revenue

	<u>2021</u>	<u>2020</u>
50/50 Raffle	\$ 55,880	\$ -
Memorial Garden	19,489	-
Run/Hike for Hospice and other	<u>4,825</u>	<u>-</u>
	<u>\$ 80,194</u>	<u>\$ -</u>

Deferred revenue funds include unexpended funds raised through the 50/50 Raffle granted under license by AGLC. During the year \$77,827 (2020 - \$nil) of contributions were raised and \$21,947 (2020 - \$nil) of funds were spent.

The remaining funds include unexpended funds raised through fundraising for various events that took place subsequent to year end.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

9. Mortgage Payable

	<u>2021</u>	<u>2020</u>
Mortgage payable in monthly instalments of \$4,031 including interest at 3.05%, with final instalment due on March 2022.	\$ 696,813	\$ 1,000,000
Repaid during the year.	-	1,000,000
	<u>\$ 696,813</u>	<u>\$ 2,000,000</u>

The mortgage is payable on demand, therefore, disclosed as current. Funds were drawn for the purposes of funding the building expansion.

Collateral is provided by a general security agreement covering all present and after acquired property and land and building. In the current year this represents assets with a net book value of \$5,698,143 (2020 - \$5,928,680).

As part of the agreement, the Society is required to maintain a debt service coverage ratio of not less than 1.10 to 1. The Society was not in compliance with this covenant as at March 31, 2021 due to paying down the first mortgage in the current year.

10. Unamortized Deferred Capital Contributions

	<u>2021</u>	<u>2020</u>
Balance, beginning of Year	\$ 3,208,518	\$ 2,498,915
Contributions	383,563	779,321
Amortization	<u>(184,595)</u>	<u>(69,718)</u>
Balance, end of Year	<u>\$ 3,407,486</u>	<u>\$ 3,208,518</u>

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

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

11. 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, 2020, the market value of this endowment was \$32,757 (December 31, 2019 - \$30,898) and the gross interest received for the year was \$1,029 (December 31, 2019 - \$976).

12. Financial Instruments

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:

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 and mortgage payables bear interest at a fixed interest rate.

Currency risk

The Society is exposed to currency price risk as certain investments are denominated in a foreign currency. As of year end the Society's portfolio consisted of 27.75% (2020 - 24.09%) foreign securities.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2021

13. 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 \$2,657,961 (2020 - \$1,327,922) from Alberta Health Services which supports 72.8% (2020 - 66.7%) of the total expenditures incurred.

14. Comparative Amounts

The presentation of certain accounts of the previous year has been changed to conform to the presentation adopted for the current year.

Red Deer Hospice Society
Supplementary Financial Information
Year Ended March 31, 2021

	2021	2020
Revenues		
Alberta Health Services	\$ 2,657,961	\$ 1,327,922
General donations	532,906	1,164,539
Deferred capital contributions	184,595	69,718
Fundraising	127,752	102,963
Gift in kind	112,557	11,297
Government assistance	28,662	-
Investment income	13,993	6,545
Meals	9,406	13,308
Memberships	220	500
Capital donations (expansion)	-	44,656
	<u>3,668,052</u>	<u>2,741,448</u>
Expenditures		
Wages and benefits	2,700,394	1,421,864
Other	319,355	162,113
Facility	251,508	160,006
Direct care costs	185,583	74,745
Administration	136,286	77,929
Fundraising	60,243	95,464
	<u>3,653,369</u>	<u>1,992,121</u>
Excess of revenues over expenditures before following items	<u>14,683</u>	<u>749,327</u>
Other income (expenditures)		
Unrealized gain (loss) on investments	38,804	(28,749)
Gain on sale of long-term investments	5,664	21,618
Realized gain on foreign exchange	2,769	608
	<u>47,237</u>	<u>(6,523)</u>
Excess of revenues over expenditures	<u>\$ 61,920</u>	<u>\$ 742,804</u>