

**RED DEER HOSPICE SOCIETY**

**Independent Auditor's Report and  
Financial Statements**

**August 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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### To the Directors of Red Deer Hospice Society

We have audited the accompanying financial statements of Red Deer Hospice Society, which comprise the statement of financial position as at August 31, 2018, and the statements of changes in net assets, operations 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the organization'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 organization'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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## INDEPENDENT AUDITOR'S REPORT, continued

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*Basis for Qualified Opinion*

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

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2018 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.

Red Deer County, Alberta

November 13, 2018

Chartered Professional Accountants

**RED DEER HOSPICE SOCIETY**  
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**August 31, 2018**

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**RED DEER HOSPICE SOCIETY**  
**Statement of Financial Position**  
**As at August 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 3)	\$ 296,630	\$ 152,672
Accounts receivable	6,082	16,314
Goods and Services Tax receivable	17,670	6,744
Investments (note 4)	1,096,802	-
Inventory	1,238	1,238
Prepaid expenses	<u>14,420</u>	<u>8,253</u>
	1,432,842	185,221
<b>Investments (note 4)</b>	<b>640,516</b>	<b>1,784,923</b>
<b>Capital assets (note 5)</b>	<b><u>1,851,513</u></b>	<b><u>1,387,738</u></b>
	<b><u>\$ 3,924,871</u></b>	<b><u>\$ 3,357,882</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accruals (note 6)	\$ 372,611	\$ 97,369
Deferred revenue (note 7)	<u>28,408</u>	<u>25,171</u>
	401,019	122,540
<b>Unamortized deferred capital contributions (note 8)</b>	<b>1,685,404</b>	<b>1,225,031</b>
<b>Deferred contributions (note 9)</b>	<b><u>48,707</u></b>	<b><u>282,967</u></b>
	<b><u>2,135,130</u></b>	<b><u>1,630,538</u></b>
<b>NET ASSETS</b>		
<b>Invested in capital assets</b>	<b>166,109</b>	<b>162,282</b>
<b>Internally restricted (note 11)</b>	<b>1,208,052</b>	<b>1,205,910</b>
<b>Unrestricted</b>	<b><u>415,580</u></b>	<b><u>359,152</u></b>
	<b><u>1,789,741</u></b>	<b><u>1,727,344</u></b>
	<b><u>\$ 3,924,871</u></b>	<b><u>\$ 3,357,882</u></b>

Approved by the board:



Director



Director

**RED DEER HOSPICE SOCIETY**  
**Statement of Changes in Net Assets**  
**Year ended August 31, 2018**

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2018	Total 2017
<b>Balance, beginning of year</b>	\$ 162,282	\$ 1,205,910	\$ 359,152	<b>\$ 1,727,344</b>	\$ 1,733,118
Excess (deficiency) of revenues over expenditures	1,188	-	61,209	<b>62,397</b>	(5,774)
Transfer	<u>2,639</u>	<u>2,142</u>	<u>(4,781)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>\$ 166,109</u></b>	<b><u>\$ 1,208,052</u></b>	<b><u>\$ 415,580</u></b>	<b><u>\$ 1,789,741</u></b>	<b><u>\$ 1,727,344</u></b>

# RED DEER HOSPICE SOCIETY

## Statement of Operations

Year ended August 31, 2018

	2018	2017
<b>Revenues</b>		
Alberta Health Services	\$ 841,174	\$ 843,675
Fundraising	650,260	594,960
Donations	481,670	436,968
Amortization of deferred capital contributions	81,340	90,434
Investment income	57,570	57,117
Fundraising - expansion	11,265	-
Meals	9,758	10,284
Memberships	320	440
	<u>2,133,357</u>	<u>2,033,878</u>
<b>Expenditures</b>		
Wages and benefits	1,578,003	1,485,593
Fundraising	206,076	194,598
Amortization	80,577	90,010
Repairs and maintenance	46,976	103,605
Professional fees	43,878	40,926
Utilities	40,638	36,683
Food	34,511	31,529
Fundraising - expansion	11,265	-
Office	11,207	14,679
Medical supplies	10,653	11,022
Insurance	7,587	6,590
Interest and bank charges	5,515	4,025
Telephone	4,536	4,542
Training and education	2,801	7,103
Recruitment	2,665	2,759
Organizational memberships	1,544	2,236
Bereavement program	335	173
	<u>2,088,767</u>	<u>2,036,073</u>
<b>Excess (deficiency) of revenues over expenditures from operations</b>	<u>44,590</u>	<u>(2,195)</u>
<b>Other revenues (expenses)</b>		
Gain on sale of long-term investments	17,432	15,864
Realized gain (loss) on foreign exchange	3,704	(16,533)
Gain on sale of capital assets	-	600
Unrealized loss on long-term investments	(3,329)	(3,510)
	<u>17,807</u>	<u>(3,579)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 62,397</u>	<u>\$ (5,774)</u>

**RED DEER HOSPICE SOCIETY**  
**Statement of Cash Flows**  
**Year ended August 31, 2018**

	2018	2017
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from funders and fundraising	\$ 1,927,659	\$ 1,856,821
Cash paid to suppliers and employees	(1,665,026)	(1,865,658)
Investment income received	58,327	56,141
Interest paid	(5,515)	(4,025)
	<u>315,445</u>	<u>43,279</u>
<b>Investing activities</b>		
Purchase of investments	(749,027)	(470,249)
Proceeds on sale of investments	814,439	437,999
Purchase of capital assets	(544,352)	(17,386)
Deferred capital contributions received	307,453	-
Proceeds from sale of capital assets	-	600
	<u>(171,487)</u>	<u>(49,036)</u>
<b>Increase (decrease) in cash</b>	<b>143,958</b>	<b>(5,757)</b>
<b>Cash, beginning of year</b>	<b><u>152,672</u></b>	<b><u>158,429</u></b>
<b>Cash, end of year</b>	<b><u>\$ 296,630</u></b>	<b><u>\$ 152,672</u></b>

Excluded from the statement of cash flows is \$79,501 (2017 - \$63,303) of gifts in kind received during the year.



# RED DEER HOSPICE SOCIETY

## Notes to the Financial Statements

August 31, 2018

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### 1. Nature of Operations

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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.

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### 2. Significant Accounting Policies

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These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant 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 and estimated useful lives of capital assets. 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.

**RED DEER HOSPICE SOCIETY**  
Notes to the Financial Statements  
August 31, 2018

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**2. Significant Accounting Policies, continued**

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**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.

**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 6,797 hours (2017 - 5,743 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**  
**August 31, 2018**

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**3. Cash**

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Included in cash is \$2,001 (2017 - \$25,171) of casino funds that are restricted by the Alberta Gaming and Liquor Commission.

Included in cash is \$106,996 (2017 - \$nil) that is restricted for costs related to the expansion of the building.

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**4. Investments**

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The Society has established a managed investment portfolio with RBC Dominion Securities. Included in these funds \$48,707 (2017 - \$282,967) of externally restricted capital contributions and \$1,201,052 (2017 - \$1,205,910) of internally restricted funds to be used for purposes noted in Note 11. The estimated annual rate of return on the investments is 3.91% (2017 - 1.57%).

These internally restricted funds are not available for other purposes without approval by the Board of Directors, and as such, the Capital Asset Fund and \$86,146 of the Reserve Fund have been classified as current due to the fact that the funds will be used for the building expansion in the next 12 months. All other reserve funds have been classified as long-term. Interest earned on the investments is not restricted and is available for general operations.

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**5. Capital Assets**

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	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net</u>	<u>2017 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	2,208,563	675,913	1,532,650	1,032,225
Furniture and fixtures	374,723	276,844	97,879	122,349
Medical equipment	230,812	182,764	48,048	60,060
Computer equipment	30,502	23,940	6,562	5,605
Computer software	10,297	9,173	1,124	2,249
	<u>\$ 3,020,147</u>	<u>\$ 1,168,634</u>	<u>\$ 1,851,513</u>	<u>\$ 1,387,738</u>

**RED DEER HOSPICE SOCIETY**  
**Notes to the Financial Statements**  
**August 31, 2018**

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**5. Capital Assets, continued**

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Included in buildings are costs of \$541,713 (2017 - \$Nil) related to the expansion of the existing building which is not in use and is not currently being amortized. In September 2018 the Board approved a budget of \$5,200,000 (2017 - \$Nil) for the expansion of the Hospice building.

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**6. Accounts Payable and Accruals**

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	<u>2018</u>	<u>2017</u>
Trade accounts payable and accruals	\$ 102,918	\$ 85,656
Capital accounts payable	253,985	-
Source deductions payable	<u>15,708</u>	<u>11,713</u>
	<u>\$ 372,611</u>	<u>\$ 97,369</u>

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**7. Deferred Revenue**

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Deferred revenue consists of unexpended funds which are either restricted by the funder to be used for specific purposes or the event has not yet occurred.

	<u>2018</u>	<u>2017</u>
Handbag Luncheon funds	\$ 15,981	\$ -
Bereavement funds	9,936	-
Casino funds	<u>2,491</u>	<u>25,171</u>
	<u>\$ 28,408</u>	<u>\$ 25,171</u>

**RED DEER HOSPICE SOCIETY**  
**Notes to the Financial Statements**  
**August 31, 2018**

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**8. Unamortized Deferred Capital Contributions**

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	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,225,031	\$ 1,298,079
Contributions	541,713	17,386
Amortization	<u>(81,340)</u>	<u>(90,434)</u>
Balance, end of year	<u>\$ 1,685,404</u>	<u>\$ 1,225,031</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.

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**9. Deferred Contributions**

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	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 282,967	\$ 300,353
Contributions received	307,453	-
Contributions spent	<u>(541,713)</u>	<u>(17,386)</u>
Balance, end of year	<u>\$ 48,707</u>	<u>\$ 282,967</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, 2018**

**10. 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, 2017, the market value of this endowment was \$29,250 (December 31, 2016 - \$27,869) and the gross interest received for the year was \$975 (2016 - \$965).

**11. Restricted Net Assets**

The internally restricted funds include:

	<u>2018</u>	<u>2017</u>
Capital Asset Fund	\$ 896,970	\$ 896,970
Legacy Fund	175,000	175,000
Building Reserve Fund	<u>136,082</u>	<u>133,940</u>
	<u>\$ 1,208,052</u>	<u>\$ 1,205,910</u>

The Capital Asset Fund is set aside for the purchase of future capital assets.

The Legacy Fund is to be used to fund future operations of the Society.

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 \$22,000 to be transferred to the Building Reserve Fund in the current year.

These internally restricted funds are not available for other purposes without the approval of the Board of Directors. Any interest earned on the investments associated with these restrictions can be used in general operations.

**12. Financial Risk Management**

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The Society's financial instruments consist of cash, accounts receivable, investments and accounts payable and accruals. 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:

**Credit risk**

The Society is also exposed to credit risk as it accepts pledges for donations for which collection may be doubtful.

**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.

**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 27.99% of foreign securities in its portfolio at year end.

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**13. Economic Dependence**

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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 \$841,174 (2017 - \$843,675) from Alberta Health Services which supports 40.3% (2017 - 41.5%) of the total expenditures incurred.

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**14. Comparative Figures**

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The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.