

# RED DEER HOSPICE SOCIETY



Independent Auditor's Report and Financial  
Statements  
March 31, 2020



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## INDEPENDENT AUDITOR'S REPORT

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### 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, 2020, and the statements of changes in net assets, operations and cash flows for the period 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, 2020 and the results of its operations and its cash flows for the period 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 expenses, and cash flows from operations for the period ended March 31, 2020, current assets as at March 31, 2020, and net assets as at September 1, 2019 and March 31, 2020. Our audit opinion on the financial statements for the year ended August 31, 2019 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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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- ◆ 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

August 4, 2020

RSM Alberta LLP

Chartered Professional Accountants

# RED DEER HOSPICE SOCIETY

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March 31, 2020

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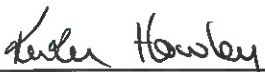
# RED DEER HOSPICE SOCIETY


## Statement of Financial Position

As at March 31, 2020

	March 31, 2020 (7 months)	August 31, 2019 (12 months)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 4)	\$ 810,342	\$ 1,088,793
Accounts receivable (note 5)	838,670	3,887
Goods and Services Tax receivable	28,032	93,024
Investments	-	400,000
Inventory	4,157	1,238
Prepaid expenses	7,444	492
	<u>1,688,645</u>	<u>1,587,434</u>
Investments (note 6)	325,376	354,125
Tangible capital assets (note 7)	<u>6,295,712</u>	<u>5,452,561</u>
	<u>\$ 8,309,733</u>	<u>\$ 7,394,120</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accruals (note 8)	\$ 211,708	\$ 538,502
Mortgage payable (note 9)	<u>2,000,000</u>	<u>2,210,000</u>
	2,211,708	2,748,502
Unamortized deferred capital contributions (note 10)	<u>3,208,518</u>	<u>2,498,915</u>
	<u>5,420,226</u>	<u>5,247,417</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,087,194	743,646
Unrestricted	<u>1,802,313</u>	<u>1,403,057</u>
	<u>2,889,507</u>	<u>2,146,703</u>
	<u>\$ 8,309,733</u>	<u>\$ 7,394,120</u>

Approved by the board:

  
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Director

  
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Director

# RED DEER HOSPICE SOCIETY

## Statement of Changes in Net Assets

Period ended March 31, 2020

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	Invested in Capital Assets	Unrestricted	Total March 31, 2020 (7 months)	Total August 31, 2019 (12 months)
<b>Balance, beginning of period</b>	\$ 743,646	\$ 1,403,057	\$ 2,146,703	\$ 1,789,741
Excess (deficiency) of revenues over expenditures	(92,394)	835,198	742,804	356,962
Transfer	<u>435,942</u>	<u>(435,942)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of period</b>	<b><u>\$ 1,087,194</u></b>	<b><u>\$ 1,802,313</u></b>	<b><u>\$ 2,889,507</u></b>	<b><u>\$ 2,146,703</u></b>

# RED DEER HOSPICE SOCIETY

## Statement of Operations

Period ended March 31, 2020

	March 31, 2020 (7 months)	August 31, 2019 (12 months)
<b>Revenues</b>		
Alberta Health Services	\$ 1,327,922	\$ 1,627,394
Donations	1,175,836	423,408
Fundraising	147,619	437,686
Amortization of deferred capital contributions	69,718	70,481
Meals	13,308	8,032
Investment income	6,545	37,128
Memberships	500	166
	<u>2,741,448</u>	<u>2,604,295</u>
<b>Expenditures</b>		
Wages and benefits	1,450,561	1,792,640
Amortization	162,113	75,692
Fundraising	115,256	173,041
Interest on mortgage payable	70,716	-
Repairs and maintenance	51,621	39,154
Professional fees	33,340	35,524
Food	31,902	30,284
Utilities	27,343	55,132
Medical supplies	14,146	14,702
Office	9,782	12,064
Insurance	9,609	8,539
Training and education	4,927	22,176
Telephone	3,314	4,093
Interest and bank charges	2,790	5,223
Recruitment	2,706	3,660
Organizational memberships	1,995	3,446
Bereavement program	-	5,467
	<u>1,992,121</u>	<u>2,280,837</u>
<b>Excess of revenues over expenditures from operations</b>	<u>749,327</u>	<u>323,458</u>
<b>Other revenues (expenses)</b>		
Gain on sale of long-term investments	21,618	47,515
Realized gain on foreign exchange	608	2,442
Unrealized loss on long-term investments	(28,749)	(16,453)
	<u>(6,523)</u>	<u>33,504</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 742,804</u>	<u>\$ 356,962</u>



# RED DEER HOSPICE SOCIETY

## Statement of Cash Flows

Period ended March 31, 2020

	March 31, 2020 (7 months)	August 31, 2019 (12 months)
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from funders and fundraising	\$ 1,840,246	\$ 2,361,120
Cash paid to suppliers and employees	(1,993,565)	(1,996,957)
Investment income received	6,545	37,128
Interest paid	(73,506)	(5,223)
	<u>(220,280)</u>	<u>396,068</u>
<b>Investing activities</b>		
Purchase of investments	(90,827)	(756,451)
Proceeds on sale of investments	468,599	1,776,610
Purchase of tangible capital assets	(994,864)	(3,676,741)
Deferred capital contributions received	768,921	835,285
	<u>151,829</u>	<u>(1,821,297)</u>
<b>Financing activities</b>		
Repayment of mortgage payable	(710,000)	-
Proceeds of mortgage payable	500,000	2,217,392
	<u>(210,000)</u>	<u>2,217,392</u>
<b>Increase (decrease) in cash</b>	<b>(278,451)</b>	<b>792,163</b>
<b>Cash, beginning of period</b>	<b><u>1,088,793</u></b>	<b><u>296,630</u></b>
<b>Cash, end of period</b>	<b><u>\$ 810,342</u></b>	<b><u>\$ 1,088,793</u></b>

Excluded from the statement of cash flows is \$28,543 (2019 - \$29,759) of gifts in kind received during the year, of which \$10,400 (2019 - nil) related to donated tangible capital assets.

# RED DEER HOSPICE SOCIETY

## Notes to the Financial Statements

March 31, 2020

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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 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 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**

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**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
Computer software	50% Straight-line

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

During the year the Society adopted the new accounting standard for Tangible capital assets held by not-for-profit organizations. This standard is applied on a prospective basis. As a result of the implementation of this new standard, the Society has updated their policy as it relates to the impairment of tangible capital follows:

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.

**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.

During the year the Society paid \$59,170 of wages to receive \$916,540 of fundraising, \$768,921 of which was treated as deferred capital contributions.

# RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2020

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## 2. Significant Accounting Policies, continued

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### 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 contributed approximately 3,478 hours (2019 - 7,130 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.

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## 3. Change in Year End

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During the year the Society changed its fiscal year end from August 31 to March 31. The Society receives a significant amount of their funding through the Alberta Health Services (AHS) which has a fiscal period ending March 31. One of the requirements of the AHS Funding is that the Society provide detailed quarterly reporting of their staffing hours and dollars. Therefore, in order to provide more accurate and timely reports to AHS the Society changed their fiscal reporting period to the same period as AHS. Revenue Canada has granted permission for the Society to change its fiscal year end.

# RED DEER HOSPICE SOCIETY

## Notes to the Financial Statements

March 31, 2020

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### 4. Cash

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Included in cash is \$3,646 (2019 - \$218,342) that is restricted for costs related to the expansion of the building.

Included in cash is \$2,001 (2019 - nil) of casino funds that are restricted by the Alberta Gaming, Liquor and Cannabis Commission.

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### 5. Accounts Receivable

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During the year, the Society was named as the beneficiary of an estate and is expecting to receive \$835,790 of unrestricted distributions from the Estate.

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### 6. Investments

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The Society has established a managed investment portfolio with RBC Dominion Securities. The estimated annual rate of return on the investments is 4.93% (2019-5.83%).

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### 7. Tangible Capital Assets

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	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>March 31, 2020 (7 months) Net</u>	<u>August 31, 2019 (12 months) Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	6,610,615	847,185	5,763,430	5,161,199
Furniture and fixtures	481,044	311,757	169,287	78,303
Medical equipment	311,087	202,320	108,767	43,216
Computer equipment	123,859	34,881	88,978	4,593
Computer software	10,297	10,297	-	-
	<u>\$ 7,702,152</u>	<u>\$ 1,406,440</u>	<u>\$ 6,295,712</u>	<u>\$ 5,452,561</u>

# RED DEER HOSPICE SOCIETY

## Notes to the Financial Statements

March 31, 2020

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### 8. Accounts Payable and Accruals

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	March 31, 2020 <u>(7 months)</u>	August 31, 2019 <u>(12 months)</u>
Trade accounts payable and accruals	\$ 182,285	\$ 136,336
Source deductions payable	29,423	21,461
Accounts payable - building expansion	<u>-</u>	<u>380,705</u>
	<u>\$ 211,708</u>	<u>\$ 538,502</u>

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### 9. Mortgage Payable

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	March 31, 2020 <u>(7 months)</u>	August 31, 2019 <u>(12 months)</u>
Mortgage payable in monthly instalments of \$5,855 including interest at 3.6%, with final instalment due on March 2021.	\$ 1,000,000	\$ -
Mortgage payable in interest only instalments at bank prime (currently 2.45%) plus 0.5%, due March 2021.	1,000,000	-
Mortgage refinanced in the year.	<u>-</u>	<u>2,210,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 2,210,000</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 \$5,928,680 (2019 - \$5,326,449).

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 in compliance with this covenant as at March 31, 2020.

**RED DEER HOSPICE SOCIETY**  
**Notes to the Financial Statements**  
**March 31, 2020**

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**10. Unamortized Deferred Capital Contributions**

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	<b>March 31, 2020 (7 months)</b>	<b>August 31, 2019 (12 months)</b>
Balance, beginning of period	<b>\$ 2,498,915</b>	\$ 1,685,404
Contributions	<b>779,321</b>	883,992
Amortization	<b>(69,718)</b>	(70,481)
Balance, end of period	<b><u>\$ 3,208,518</u></b>	<b><u>\$ 2,498,915</u></b>

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.

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**11. External Endowment**

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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, 2019, the market value of this endowment was \$30,898 (December 31, 2018 - \$27,896) and the gross interest received for the year was \$976 (December 31, 2018 - \$975).

# RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2020

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## 12. Financial Instruments

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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.

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. As of year end the Society's portfolio consisted of 24.09% (2019 - 26.60%) foreign securities.

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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 \$1,327,922 (2019 - \$1,627,394) from Alberta Health Services which supports 66.7% (2019 - 71.4%) of the total expenditures incurred.



## **RED DEER HOSPICE SOCIETY**

**Notes to the Financial Statements**

**March 31, 2020**

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### **14. COVID-19**

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On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) as "Public Health Emergency of International Concern" and on March 11, 2020, declared the COVID -19 a pandemic. Any quarantines, labour shortages or other disruptions to the Society's operations may adversely impact the Society's revenues, ability to provide its services and operating results. The situation continues to develop rapidly and it is impossible to predict the effect and ultimate impact of the COVID -19 outbreak on the Society's operations and results. As at the date of these financial statements the Society is deemed to provide an essential service and continues to remain operational.

In addition, a significant outbreak of epidemic, pandemic and contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Society operates, resulting in an economic downturn that could affect the ability to receive donation and other revenues. The Society is currently closed to the general public and volunteers and has implemented all pertinent policies, best practices and procedures to meet all health and government regulations. The extent to which the coronavirus may impact the Society's results will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

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### **15. Comparative Amounts**

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