

**RED DEER HOSPICE SOCIETY**

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

**August 31, 2015**

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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, 2015, 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*

Red Deer Hospice Society derives a material amount of revenue from donations, gala, third party events and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donations, gala, third party events and fundraising revenue, revenues in excess of expenditures and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### *Qualified Opinion*

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations, gala, third party events and fundraising revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2015 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, Alberta

*Collins Barrow Red Deer LLP*

November 23, 2015

Chartered Accountants

**RED DEER HOSPICE SOCIETY**  
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**August 31, 2015**

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**RED DEER HOSPICE SOCIETY**  
**Statement of Financial Position**  
**As at August 31, 2015**

	2015	2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 3)	\$ 409,441	\$ 291,161
Accounts receivable	113,716	9,972
Goods and Services Tax receivable	8,128	6,735
Inventory	1,238	1,238
Prepaid expenses	14,186	21,834
	<u>546,709</u>	330,940
Long-term investments (note 4)	1,128,614	1,103,874
Capital assets (note 5)	<u>1,505,488</u>	<u>1,572,808</u>
	<u><u>\$ 3,180,811</u></u>	<u><u>\$ 3,007,622</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accruals (note 6)	\$ 79,420	\$ 87,245
Deferred revenue (note 7)	27,449	-
	<u>106,869</u>	87,245
Unamortized deferred capital contributions (note 8)	1,343,689	1,411,541
Deferred contributions (note 9)	<u>75,526</u>	<u>94,331</u>
	<u><u>1,526,084</u></u>	<u><u>1,593,117</u></u>
<b>NET ASSETS</b>		
Invested in capital assets	161,800	161,267
Internally restricted (note 11)	1,161,470	846,470
Unrestricted	<u>331,457</u>	<u>406,768</u>
	<u><u>1,654,727</u></u>	<u><u>1,414,505</u></u>
	<u><u>\$ 3,180,811</u></u>	<u><u>\$ 3,007,622</u></u>

Approved by the board:

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Director  
\_\_\_\_\_  
Director

# RED DEER HOSPICE SOCIETY

## Statement of Changes in Net Assets

Year ended August 31, 2015

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	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2015	Total 2014
<b>Balance, beginning of year</b>	\$ 161,267	\$ 846,470	\$ 406,768	<b>\$ 1,414,505</b>	\$ 1,269,763
Excess of revenues over expenditures	533	-	239,689	<b>240,222</b>	144,742
Transfer	<u>-</u>	<u>315,000</u>	<u>(315,000)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<u><b>\$ 161,800</b></u>	<u><b>\$ 1,161,470</b></u>	<u><b>\$ 331,457</b></u>	<u><b>\$ 1,654,727</b></u>	<u><b>\$ 1,414,505</b></u>

# RED DEER HOSPICE SOCIETY

## Statement of Operations

Year ended August 31, 2015

	2015	2014
<b>Revenues</b>		
Alberta Health Services	\$ 798,697	\$ 789,561
Donations	645,767	500,144
Gala	279,166	217,461
Fundraising	270,142	170,909
Amortization of deferred capital contributions	102,246	112,554
Interest	31,950	27,874
Third party events	28,001	18,056
Gifts in kind	21,007	60,633
Meals	9,994	10,367
Casino	1,932	-
Memberships	580	2,980
	<u>2,189,482</u>	<u>1,910,539</u>
<b>Expenditures</b>		
Wages and benefits	1,426,778	1,344,651
Gala	146,529	118,055
Amortization	101,713	113,774
Professional fees	40,757	35,293
Repairs and maintenance	46,996	44,593
Utilities	37,423	37,983
Food	32,300	30,987
Fundraising and marketing	31,347	20,460
Office	14,894	11,761
Gifts in kind	12,970	54,891
Medical supplies	9,578	8,152
Insurance	8,751	8,938
Training and education	5,431	4,970
Interest and bank charges	4,617	4,499
Recruitment	4,584	11,888
Telephone	2,503	3,030
Organizational memberships	2,319	846
Casino	1,951	-
Tenth anniversary	1,575	-
Volunteer appreciation	883	855
Bereavement program	524	241
Advertising and promotion	-	408
	<u>1,934,423</u>	<u>1,856,275</u>
<b>Excess of revenues over expenditures from operations</b>	<u>255,059</u>	<u>54,264</u>
<b>Other revenues</b>		
Gain (loss) on investments	(14,837)	88,852
Gain on sale of capital assets	-	1,626
	<u>(14,837)</u>	<u>90,478</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 240,222</u>	<u>\$ 144,742</u>

# RED DEER HOSPICE SOCIETY

## Statement of Cash Flows

Year ended August 31, 2015

	2015	2014
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from funders and fundraising	\$ 1,957,800	\$ 1,702,952
Cash paid to suppliers and employees	(1,809,074)	(1,679,875)
Investment income received	31,766	26,277
Interest paid	(4,617)	(4,499)
	<u>175,875</u>	<u>44,855</u>
<b>Investing activities</b>		
Purchase of long-term investments	(1,032,777)	(867,712)
Proceeds on sale of long-term investments	993,987	725,416
Purchase of capital assets	(34,394)	(21,327)
Proceeds on disposal of capital assets	-	1,626
Deferred contributions received	15,589	42,294
	<u>(57,595)</u>	<u>(119,703)</u>
<b>Increase (decrease) in cash</b>	<b>118,280</b>	<b>(74,848)</b>
<b>Cash, beginning of year</b>	<b><u>291,161</u></b>	<b><u>366,009</u></b>
<b>Cash, end of year</b>	<b><u>\$ 409,441</u></b>	<b><u>\$ 291,161</u></b>

Excluded from the statement of cash flows is \$21,007 (2014 - \$60,633) of gifts in kind received during the year.

# RED DEER HOSPICE SOCIETY

## Notes to the Financial Statements

August 31, 2015

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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 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.

#### Long-term 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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**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. Services provided are not recorded in the financial records due to the difficulties in determining their fair value. Contributed goods or gifts in kind are recorded in the financial statements based on the estimated fair market value at the time of the donation.

Volunteers contributed approximately 4,555 hours (2014 - 4,689 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.

# RED DEER HOSPICE SOCIETY

## Notes to the Financial Statements

August 31, 2015

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### 3. Cash

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Included in cash is \$27,449 (2014 - \$0) of casino funds that are restricted by the Alberta Gaming and Liquor Commission and \$105,850 (2014 - \$105,239) of internally restricted funds for the purpose of capital replacement noted in note 11.

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### 4. Long-term Investments

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The Society has established a managed investment portfolio with RBC Dominion Securities. Included in these funds is \$75,526 (2014 - \$94,331) of externally restricted capital contributions and \$1,055,620 (2014 - \$741,230) of internally restricted funds to be used for purposes noted in Note 11. The estimated annual rate of return on the investments is 5.06% (2014 - 4.86%).

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### 5. Capital Assets

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	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net</u>	<u>2014 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	1,660,496	547,064	1,113,432	1,142,998
Furniture and fixtures	350,634	189,068	161,566	199,814
Medical equipment	199,413	140,894	58,519	55,144
Computer equipment	25,144	18,423	6,721	9,602
Computer software	7,299	7,299	-	-
	<u>\$ 2,408,236</u>	<u>\$ 902,748</u>	<u>\$ 1,505,488</u>	<u>\$ 1,572,808</u>

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### 6. Accounts Payable and Accruals

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Included in accounts payable and accruals is \$9,178 (2014 - \$14,428) of payroll remittances owing to Canada Revenue Agency.

**RED DEER HOSPICE SOCIETY**  
**Notes to the Financial Statements**  
**August 31, 2015**

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**7. Deferred Revenue**

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Deferred revenue represents the unspent casino funds that are restricted by Alberta Gaming and Liquor Commission and have been approved to be spent on wages.

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**8. Unamortized Deferred Capital Contributions**

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	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,411,541	\$ 1,502,768
Contributions	34,394	21,327
Capital Donations Phase 2	<u>(102,246)</u>	<u>(112,554)</u>
	<u>\$ 1,343,689</u>	<u>\$ 1,411,541</u>

Unamortized deferred capital contributions for capital assets 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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**9. Deferred Contributions**

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	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 94,331	\$ 73,364
Contributions received	15,589	42,294
Contributions used	<u>(34,394)</u>	<u>(21,327)</u>
	<u>\$ 75,526</u>	<u>\$ 94,331</u>

Deferred contributions represents 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, 2015**

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**10. 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, 2014, the market value of this endowment was \$29,103 (December 31, 2013 - \$28,321) and the gross interest received for the year was \$942 (2013 - \$934).

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**11. Restricted Net Assets**

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The internally restricted funds includes:

	<u>2015</u>	<u>2014</u>
Capital Asset Fund	\$ 896,970	\$ 696,970
Legacy Fund	175,000	75,000
Reserve Fund	<u>89,500</u>	<u>74,500</u>
	<u>\$ 1,161,470</u>	<u>\$ 846,470</u>

**11. Restricted Net Assets, continued**

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The Capital Asset Fund is set aside for the purchase of future capital assets. The Board of Directors approved \$200,000 to be transferred to the Capital Asset Fund in the current year.

The Legacy Fund is to be used to fund future operations of the Society. The Board of Directors approved \$100,000 to be transferred to the Legacy Fund in the current year.

The 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 \$15,000 to be transferred to the Reserve Fund in the current year.

During the year the Society undertook a Reserve Fund Study from which they adopted the Society's Reserve Fund Plan for the next five years. That Plan approved \$22,000 to be transferred to the Reserve Fund for the fiscal year ending August 31, 2016. The amount to be transferred for each subsequent year will increase by 2% up to August 31, 2022. An update of the Plan will be undertaken in that fiscal 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 Instruments**

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The Society's financial instruments consist of cash, accounts receivable, long-term 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 exposed to credit risk as it has purchased bonds which are included in long-term investments and it has accrued interest from these bonds which are included in accounts receivable. The Society is also exposed to credit risk as it accepts pledges for donations that collection may be doubtful which are recorded in accounts receivable.

**Market risk**

The Society is exposed to market price risk as certain long-term 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 long-term investments bear interest at fixed interest rates.

**Currency risk**

The Society is exposed to currency price risk as certain long-term investments are denominated in a foreign currency. This risk is mitigated by the fact that the Society held less than 9.63% 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 \$798,697 (2014 - \$789,561) which supports 41.2% (2014 - 42.5%) of the total expenditures incurred.

The balance of the 58.8% was raised by Hospice Society fundraising. Significant efforts have been exerted on behalf of the Society.

**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.