

RED DEER HOSPICE SOCIETY

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

August 31, 2017

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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.

INDEPENDENT AUDITOR'S REPORT, continued

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, 2017 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

Collins Barrow Red Deer LLP

November 21, 2017

Chartered Professional Accountants

RED DEER HOSPICE SOCIETY
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RED DEER HOSPICE SOCIETY

Statement of Financial Position

As at August 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash (note 3)	\$ 152,672	\$ 158,429
Accounts receivable	16,314	26,459
Goods and Services Tax receivable	6,744	6,431
Inventory	1,238	1,238
Prepaid expenses	8,253	15,035
	<u>185,221</u>	207,592
Long-term investments (note 4)	1,784,923	1,756,853
Capital assets (note 5)	<u>1,387,738</u>	<u>1,460,361</u>
	<u>\$ 3,357,882</u>	<u>\$ 3,424,806</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 6)	\$ 97,369	\$ 90,763
Deferred revenue (note 7)	25,171	2,492
	<u>122,540</u>	93,255
Unamortized deferred capital contributions (note 8)	1,225,031	1,298,079
Deferred contributions (note 9)	<u>282,967</u>	<u>300,354</u>
	<u>1,630,538</u>	<u>1,691,688</u>
NET ASSETS		
Invested in capital assets	162,282	162,282
Internally restricted (note 11)	1,205,910	1,183,470
Unrestricted	<u>359,152</u>	<u>387,366</u>
	<u>1,727,344</u>	<u>1,733,118</u>
	<u>\$ 3,357,882</u>	<u>\$ 3,424,806</u>

Approved by the board:

_____ Director

_____ Director

RED DEER HOSPICE SOCIETY

Statement of Changes in Net Assets

Year ended August 31, 2017

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2017	Total 2016
Balance, beginning of year	\$ 162,282	\$ 1,183,470	\$ 387,366	\$ 1,733,118	\$ 1,654,727
Excess (deficiency) of revenues over expenditures	-	-	(5,774)	(5,774)	78,391
Transfer	<u>-</u>	<u>22,440</u>	<u>(22,440)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 162,282</u>	<u>\$ 1,205,910</u>	<u>\$ 359,152</u>	<u>\$ 1,727,344</u>	<u>\$ 1,733,118</u>

RED DEER HOSPICE SOCIETY

Statement of Operations

Year ended August 31, 2017

	2017	2016
Revenues		
Alberta Health Services	\$ 843,675	\$ 810,315
Fundraising	594,960	631,305
Donations	436,968	479,156
Amortization of deferred capital contributions	90,434	95,783
Investment income	57,117	36,950
Meals	10,284	9,219
Memberships	440	620
Grants	-	5,803
	<u>2,033,878</u>	<u>2,069,151</u>
Expenditures		
Wages and benefits	1,485,593	1,522,960
Fundraising	194,598	247,436
Repairs and maintenance	103,605	40,402
Amortization	90,010	95,301
Professional fees	40,926	32,585
Utilities	36,683	34,017
Food	31,529	36,245
Office	12,852	9,576
Medical supplies	11,022	8,387
Training and education	7,103	6,949
Insurance	6,590	9,513
Telephone	4,542	3,793
Interest and bank charges	4,025	2,960
Recruitment	2,759	2,786
Organizational memberships	2,236	1,560
Volunteer appreciation	1,827	602
Bereavement program	173	157
Tenth anniversary	-	4,931
	<u>2,036,073</u>	<u>2,060,160</u>
Excess (deficiency) of revenues over expenditures from operations	<u>(2,195)</u>	<u>8,991</u>
Other revenues (expenses)		
Gain on sale of long-term investments	15,864	2,277
Gain on sale of capital assets	600	-
Unrealized gain (loss) on long-term investments	(3,510)	67,123
Realized loss on foreign exchange	(16,533)	-
	<u>(3,579)</u>	<u>69,400</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,774)</u>	<u>\$ 78,391</u>

RED DEER HOSPICE SOCIETY

Statement of Cash Flows

Year ended August 31, 2017

	2017	2016
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from funders and fundraising	\$ 1,856,821	\$ 1,893,813
Cash paid to suppliers and employees	(1,865,658)	(1,836,126)
Investment income received	56,141	34,349
Interest paid	(4,025)	(2,960)
	<u>43,279</u>	<u>89,076</u>
Investing activities		
Purchase of long-term investments	(470,249)	(1,970,381)
Proceeds on sale of long-term investments	437,999	1,407,661
Purchase of capital assets	(17,386)	(50,173)
Deferred capital contributions received	-	275,000
Proceeds from sale of capital assets	600	-
	<u>(49,036)</u>	<u>(337,893)</u>
Decrease in cash	(5,757)	(248,817)
Cash, beginning of year	<u>158,429</u>	<u>407,246</u>
Cash, end of year	<u>\$ 152,672</u>	<u>\$ 158,429</u>

Excluded from the statement of cash flows is \$63,303 (2016 - \$107,505) of gifts in kind received during the year.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

August 31, 2017

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 policies are detailed as follows:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include allowance for doubtful accounts, estimated useful lives of capital assets, and amortization of capital contributions. 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.

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.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

August 31, 2017

2. Significant Accounting Policies, continued

Capital assets

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

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

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

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 5,743 hours (2016 - 6,795 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, 2017

3. Cash

Included in cash is \$25,171 (2016 - \$2,492) of casino funds that are restricted by the Alberta Gaming and Liquor Commission.

4. Long-term Investments

The Society has established a managed investment portfolio with RBC Dominion Securities. Included in these funds is \$282,967 (2016 - \$300,354) of externally restricted capital contributions and \$1,205,910 (2016 - \$1,183,470) of internally restricted funds to be used for purposes noted in Note 11. The estimated annual rate of return on the investments is 1.57% (2016 - 6.22%).

5. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net</u>	<u>2016 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	1,666,850	634,625	1,032,225	1,072,411
Furniture and fixtures	374,723	252,374	122,349	142,920
Medical equipment	230,812	170,752	60,060	75,075
Computer equipment	27,863	22,258	5,605	4,705
Computer software	10,297	8,048	2,249	-
	<u>\$ 2,475,795</u>	<u>\$ 1,088,057</u>	<u>\$ 1,387,738</u>	<u>\$ 1,460,361</u>

6. Accounts Payable and Accruals

Included in accounts payable and accruals is \$11,713 (2016 - \$10,521) of payroll remittances owing to Canada Revenue Agency.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

August 31, 2017

7. Deferred Revenue

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 in the following year.

8. Unamortized Deferred Capital Contributions

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,298,079	\$ 1,343,689
Contributions	17,386	50,173
Amortization	<u>(90,434)</u>	<u>(95,783)</u>
Balance, end of year	<u>\$ 1,225,031</u>	<u>\$ 1,298,079</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.

9. Deferred Contributions

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 300,354	\$ 75,527
Contributions received	-	275,000
Contributions used	<u>(17,386)</u>	<u>(50,173)</u>
Balance, end of year	<u>\$ 282,967</u>	<u>\$ 300,354</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, 2017

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, 2016, the market value of this endowment was \$27,869 (December 31, 2015 - \$27,373) and the gross interest received for the year was \$965 (2015 - \$956).

11. Restricted Net Assets

The internally restricted funds include:

	<u>2017</u>	<u>2016</u>
Capital Asset Fund	\$ 896,970	\$ 896,970
Legacy Fund	175,000	175,000
Reserve Fund	<u>133,940</u>	<u>111,500</u>
	<u>\$ 1,205,910</u>	<u>\$ 1,183,470</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 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 \$22,440 to be transferred to the 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.

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Notes to the Financial Statements

August 31, 2017

12. Financial Risk Management

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 for which 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 21.36% of foreign securities in its portfolio at year end.

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 \$843,675 (2016 - \$810,315) which supports 41.5% (2016 - 39.3%) of the total expenditures incurred.

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Notes to the Financial Statements

August 31, 2017

14. Comparative Figures

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.