

RED DEER HOSPICE SOCIETY

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

August 31, 2016

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, 2016, 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

Red Deer Hospice Society derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donations, 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 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, 2016 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.

Collins Barrow Red Deer LLP

Red Deer County, Alberta

November 7, 2016

Chartered Professional Accountants

RED DEER HOSPICE SOCIETY

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RED DEER HOSPICE SOCIETY
Statement of Financial Position
As at August 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash (note 3)	\$ 158,429	\$ 407,246
Accounts receivable	26,459	113,716
Goods and Services Tax receivable	6,431	8,128
Inventory	1,238	1,238
Prepaid expenses	<u>15,035</u>	<u>14,186</u>
	207,592	544,514
Long-term investments (note 4)	1,756,853	1,130,809
Capital assets (note 5)	<u>1,460,361</u>	<u>1,505,488</u>
	<u>\$ 3,424,806</u>	<u>\$ 3,180,811</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 6)	\$ 90,762	\$ 79,420
Deferred revenue (note 7)	<u>2,492</u>	<u>27,449</u>
	93,254	106,869
Unamortized deferred capital contributions (note 8)	1,298,080	1,343,689
Deferred contributions (note 9)	<u>300,354</u>	<u>75,526</u>
	<u>1,691,688</u>	<u>1,526,084</u>
NET ASSETS		
Invested in capital assets	162,281	161,800
Internally restricted (note 11)	1,183,470	1,161,470
Unrestricted	<u>387,367</u>	<u>331,457</u>
	<u>1,733,118</u>	<u>1,654,727</u>
	<u>\$ 3,424,806</u>	<u>\$ 3,180,811</u>

Approved by the board:

Director

Director



RED DEER HOSPICE SOCIETY

Statement of Changes in Net Assets

Year ended August 31, 2016

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total 2016	Total 2015
Balance, beginning of year	\$ 161,800	\$ 1,161,470	\$ 331,457	\$ 1,654,727	\$ 1,414,505
Excess of revenues over expenditures	481	-	77,910	78,391	240,222
Transfer	<u>-</u>	<u>22,000</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 162,281</u>	<u>\$ 1,183,470</u>	<u>\$ 387,367</u>	<u>\$ 1,733,118</u>	<u>\$ 1,654,727</u>

RED DEER HOSPICE SOCIETY

Statement of Operations

Year ended August 31, 2016

	2016	2015
Revenues		
Alberta Health Services	\$ 810,315	\$ 798,697
Fundraising	631,305	613,391
Donations	479,156	653,804
Amortization of deferred capital contributions	95,783	102,246
Interest	36,950	31,950
Meals	9,219	9,994
Grants	5,803	-
Memberships	620	580
	<u>2,069,151</u>	<u>2,210,662</u>
Expenditures		
Wages and benefits	1,522,960	1,426,778
Fundraising	247,436	209,877
Amortization	95,301	101,713
Repairs and maintenance	40,402	46,996
Food	36,245	32,300
Utilities	34,017	37,423
Professional fees	32,585	44,857
Office	9,576	14,894
Insurance	9,513	8,751
Medical supplies	8,387	9,578
Training and education	6,949	5,431
Tenth anniversary	4,931	1,575
Telephone	3,793	2,503
Interest and bank charges	2,960	4,617
Recruitment	2,786	4,584
Organizational memberships	1,560	2,319
Volunteer appreciation	602	883
Bereavement program	157	524
	<u>2,060,160</u>	<u>1,955,603</u>
Excess of revenues over expenditures from operations	<u>8,991</u>	<u>255,059</u>
Other revenues (expenses)		
Unrealized gain on foreign exchange	82,847	-
Gain on long-term investments	2,277	39,476
Unrealized loss on long-term investments	(15,724)	(54,313)
	<u>69,400</u>	<u>(14,837)</u>
Excess of revenues over expenditures	<u>\$ 78,391</u>	<u>\$ 240,222</u>

RED DEER HOSPICE SOCIETY

Statement of Cash Flows

Year ended August 31, 2016

	2016	2015
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from funders and fundraising	\$ 1,893,813	\$ 1,957,800
Cash paid to suppliers and employees	(1,836,126)	(1,809,074)
Investment income received	34,349	31,766
Interest paid	(2,960)	(4,617)
	<u>89,076</u>	<u>175,875</u>
Investing activities		
Purchase of long-term investments	(1,970,381)	(1,008,822)
Proceeds on sale of long-term investments	1,407,660	993,987
Purchase of capital assets	(50,172)	(34,394)
Deferred capital contributions received	275,000	15,589
	<u>(337,893)</u>	<u>(33,640)</u>
Increase (decrease) in cash	(248,817)	142,235
Cash, beginning of year	<u>407,246</u>	<u>265,011</u>
Cash, end of year	<u>\$ 158,429</u>	<u>\$ 407,246</u>

Excluded from the statement of cash flows is \$107,505 (2015 - \$42,187) of gifts in kind received during the year.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

August 31, 2016

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 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.

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, 2016

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 6,795 hours (2015 - 4,555 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, 2016

3. Cash

Included in cash is \$2,501 (2015 - \$27,449) of casino funds that are restricted by the Alberta Gaming and Liquor Commission and \$165,494 (2015 - \$212,641) internally restricted funds for the purpose of capital replacement noted in note 11.

4. Long-term Investments

The Society has established a managed investment portfolio with RBC Dominion Securities. Included in these funds is \$300,354 (2015 - \$75,526) of externally restricted capital contributions and \$1,183,470 (2015 - \$1,161,470) of internally restricted funds to be used for purposes noted in Note 11. The estimated annual rate of return on the investments is 1.63% (2015 - 5.06%).

5. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net</u>	<u>2015 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	1,664,083	591,672	1,072,411	1,113,432
Furniture and fixtures	365,820	222,900	142,920	161,566
Medical equipment	230,812	155,737	75,075	58,519
Computer equipment	25,144	20,439	4,705	6,721
Computer software	7,299	7,299	-	-
	<u>\$ 2,458,408</u>	<u>\$ 998,047</u>	<u>\$ 1,460,361</u>	<u>\$ 1,505,488</u>

6. Accounts Payable and Accruals

Included in accounts payable and accruals is \$10,521 (2015 - \$9,178) of payroll remittances owing to Canada Revenue Agency.

RED DEER HOSPICE SOCIETY
Notes to the Financial Statements
August 31, 2016

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.

8. Unamortized Deferred Capital Contributions

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,343,689	\$ 1,411,541
Contributions	50,174	34,394
Amortization	<u>(95,783)</u>	<u>(102,246)</u>
Balance, end of year	<u>\$ 1,298,080</u>	<u>\$ 1,343,689</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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 75,528	\$ 94,331
Contributions received	275,000	15,589
Contributions used	<u>(50,174)</u>	<u>(34,394)</u>
	<u>\$ 300,354</u>	<u>\$ 75,526</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, 2016

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, 2015, the market value of this endowment was \$27,373 (December 31, 2014 - \$29,103) and the gross interest received for the year was \$956 (2014 - \$942).

11. Restricted Net Assets

The internally restricted funds include:

	<u>2016</u>	<u>2015</u>
Capital Asset Fund	\$ 896,970	\$ 896,970
Legacy Fund	175,000	175,000
Reserve Fund	<u>111,500</u>	<u>89,500</u>
	<u>\$ 1,183,470</u>	<u>\$ 1,161,470</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 \$22,000 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.

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 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 15.61% 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 \$810,315 (2015 - \$798,697) which supports 39.3% (2015 - 41.2%) of the total expenditures incurred.

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.