

RED DEER HOSPICE SOCIETY

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

March 31, 2023



INDEPENDENT AUDITOR'S REPORT

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, 2023, and the statements of changes in net assets, operations and cash flows for the year 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, 2023 and its results of operations and its cash flows for the year 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 and donation revenues, excess of revenues over expenditures, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.



INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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.



Chartered Professional Accountants

RED DEER HOSPICE SOCIETY

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RED DEER HOSPICE SOCIETY
Statement of Financial Position
As at March 31, 2023

	2023	2022
ASSETS		
Current assets		
Cash (note 3)	\$ 556,462	\$ 805,138
Accounts receivable	131,411	2,574
Goods and Services Tax receivable	7,308	10,601
Inventory	12,352	16,207
Prepaid expenses	9,117	7,113
	<u>716,650</u>	<u>841,633</u>
Internally restricted cash (note 3)	151,351	150,000
Investments (note 4)	396,078	412,687
Tangible capital assets (note 5)	<u>5,789,669</u>	<u>6,117,000</u>
	<u>\$ 7,053,748</u>	<u>\$ 7,521,320</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 6)	\$ 207,389	\$ 383,027
Deferred revenue (note 7)	17,417	74,044
Mortgage payable (note 8)	<u>151,010</u>	<u>358,602</u>
	<u>375,816</u>	<u>815,673</u>
Unamortized deferred capital contributions (note 9)	<u>3,385,408</u>	<u>3,509,018</u>
	<u>3,761,224</u>	<u>4,324,691</u>
NET ASSETS		
Invested in tangible capital assets	2,253,251	2,070,480
Internally restricted (note 10)	151,351	150,000
Unrestricted	<u>887,922</u>	<u>976,149</u>
	<u>3,292,524</u>	<u>3,196,629</u>
	<u>\$ 7,053,748</u>	<u>\$ 7,521,320</u>

Approved by the board:

Director

Director

RED DEER HOSPICE SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2023

	Invested in Tangible Capital Assets	Internally Restricted	Unrestricted	Total 2023	Total 2022
Balance, beginning of year	\$ 2,070,480	\$ 150,000	\$ 976,149	\$ 3,196,629	\$ 2,951,427
Excess (deficiency) of revenues over expenditures	(148,742)	1,351	243,286	95,895	245,202
Transfer	331,513	-	(331,513)	-	-
Balance, end of year	<u>\$ 2,253,251</u>	<u>\$ 151,351</u>	<u>\$ 887,922</u>	<u>\$ 3,292,524</u>	<u>\$ 3,196,629</u>

RED DEER HOSPICE SOCIETY**Statement of Operations****Year ended March 31, 2023**

	2023 Budget (unaudited)	2023 Actual	2022 Actual
Revenues			
Alberta Health Services funding	\$ 2,690,335	\$ 2,759,260	\$ 2,788,678
Donations	796,000	839,769	882,732
Fundraising *	145,500	211,362	207,047
Amortization of deferred capital contributions	200,000	198,452	172,785
Investment income	1,980	17,977	14,790
Meals	11,000	13,407	10,704
Memberships	300	300	240
	<u>3,845,115</u>	<u>4,040,527</u>	<u>4,076,976</u>
Expenditures			
Wages and benefits	3,002,555	2,939,996	2,935,452
Amortization	320,000	347,194	307,751
Repairs and maintenance	164,000	172,225	122,321
Direct care costs	87,000	102,420	100,455
Utilities	66,275	71,476	61,580
Fundraising	-	62,531	142,866
Professional fees	27,500	56,500	36,796
Training and education	41,435	35,671	22,468
IT and communications	35,500	32,554	29,173
Office	27,500	24,915	24,216
Insurance	20,350	22,874	16,130
Interest on mortgage payable	12,000	18,748	18,911
Marketing and media	12,500	15,725	15,627
Board development	17,000	12,089	14,420
Interest and bank charges	5,500	4,715	5,641
Organizational memberships	4,500	2,835	4,280
Bereavement program	1,500	920	756
	<u>3,845,115</u>	<u>3,923,388</u>	<u>3,858,843</u>
Excess of revenues over expenditures from operations	<u>-</u>	<u>117,139</u>	<u>218,133</u>
Other revenue (expenditures)			
Realized gain on foreign exchange	-	1,511	1,015
Government assistance	-	-	3,769
Gain (loss) on sale of investments	-	(2,973)	12,333
Unrealized gain (loss) on investments	-	(19,782)	9,952
	<u>-</u>	<u>(21,244)</u>	<u>27,069</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 95,895</u>	<u>\$ 245,202</u>

* The budget for fundraising revenue is presented net of fundraising expenses.

RED DEER HOSPICE SOCIETY**Statement of Cash Flows****Year ended March 31, 2023**

	2023	2022
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from funders, donations and fundraising	\$ 3,612,216	\$ 3,974,381
Cash paid to suppliers and employees	(3,511,265)	(3,478,070)
Investment income received	17,977	14,790
Interest and bank charges paid	(23,463)	(24,552)
	<u>95,465</u>	<u>486,549</u>
Investing activities		
Internally restricted cash (note 3)	(1,351)	(150,000)
Proceeds on sale of investments	502,119	188,703
Purchase of investments	(463,036)	(139,664)
Purchase of tangible capital assets	(198,764)	(217,364)
	<u>(161,032)</u>	<u>(318,325)</u>
Financing activities		
Repayment of mortgage payable	(207,592)	(338,211)
Deferred capital contributions received	24,483	214,295
	<u>(183,109)</u>	<u>(123,916)</u>
Increase (decrease) in cash	(248,676)	44,308
Cash, beginning of year	805,138	760,830
Cash, end of year	<u>\$ 556,462</u>	<u>\$ 805,138</u>

Excluded from the statement of cash flows is \$26,417 (2022 - \$48,048) of gifts in kind received during the year and a capital contribution of shares in the amount of \$50,359 (2022 - \$60,022) as these were non-cash transactions. In addition, the statement of cash flows also excludes capital assets in the amount of \$nil (2022 - \$178,900) that are included in accounts payable.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

1. Nature of Operations and Economic Dependence

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.

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 \$2,759,260 (2022 - \$2,788,678) from Alberta Health Services which supports 70.3% (2022 - 72.1%) of the total expenditures incurred.

2. Significant Accounting Policies

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. Areas requiring the use of estimates include allowance for doubtful accounts, estimated useful lives of tangible capital assets and the value of 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 cost and current replacement cost. Cost is determined on a specific item basis. Replacement cost 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.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

2. Significant Accounting Policies, continued

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.

Tangible capital assets

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

Buildings	4% Declining balance
Medical equipment	20% Declining balance
Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance

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

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.

Government assistance is recognized as revenue in the year the related expenses are incurred.

During the year the Society paid \$79,846 (2022 - \$90,113) of wages to receive \$1,125,973 (2022 - \$1,364,096) of fundraising and donations, of which \$74,842 (2022 - \$274,317) was treated as deferred capital contributions.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

2. Significant Accounting Policies, continued

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 5,720 hours (unaudited) (2021 - 2,783 hours - unaudited) 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.

3. Cash and Internally restricted cash

Included in cash is \$14,434 (2022 - \$51,355) of casino and raffle funds that are restricted by the Alberta Gaming, Liquor and Cannabis (AGLC) as disclosed in note 7.

Included in cash is \$0 (2022 - \$169,190) of externally restricted contributions to be used to purchase new beds for the Society.

Included in internally restricted cash is \$151,351 (2022 - \$150,000) of funds to be used for purposes noted in Note 10.

4. Investments

The Society has a managed investment portfolio with an estimated annual rate of return on the investments of 3.86% (2022 - 6.62%).

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

5. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023 Net</u>	<u>2022 Net</u>
Land	\$ 165,250	\$ -	\$ 165,250	\$ 165,250
Buildings	6,736,305	1,518,821	5,217,484	5,431,740
Medical equipment	530,539	322,674	207,865	285,569
Furniture and fixtures	570,451	419,278	151,173	175,368
Computer equipment	157,567	109,670	47,897	59,073
	<u>\$ 8,160,112</u>	<u>\$ 2,370,443</u>	<u>\$ 5,789,669</u>	<u>\$ 6,117,000</u>

6. Accounts Payable and Accruals

	<u>2023</u>	<u>2022</u>
Trade accounts payable and accruals	\$ 171,002	\$ 320,203
Source deductions payable	<u>36,387</u>	<u>62,824</u>
	<u>\$ 207,389</u>	<u>\$ 383,027</u>

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

7. Deferred Revenue

	<u>2023</u>	<u>2022</u>
50/50 Raffle and Casino	\$ 14,434	\$ 51,355
Apple tree fundraiser	-	14,684
Run/Hike for Hospice	<u>2,983</u>	<u>8,005</u>
	<u>\$ 17,417</u>	<u>\$ 74,044</u>

Deferred revenue funds include unexpended funds raised through the 50/50 Raffle and Casino granted under license by AGLC. During the year \$14,326 (2022 - \$139,989) of contributions were raised and \$51,247 (2022 - \$144,514) of funds were spent.

The Run/Hike for Hospice represents donations and registration fees specifically related the fundraiser that took place in May 2023.

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

8. Mortgage Payable

	<u>2023</u>	<u>2022</u>
Mortgage payable in monthly instalments of \$2,506 including fixed interest at 6.05%, with final instalment due on March 2028.	<u>\$ 151,010</u>	<u>\$ 358,602</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, including a specific charge over the land and building. In the current year this represents assets with a net book value of \$5,382,734 (2022 - \$5,596,990).

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, 2023.

The estimated principal repayments are as follows:

2024	\$ 21,526
2025	22,865
2026	24,287
2027	25,798
2028	<u>56,534</u>
	<u>\$ 151,010</u>

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

9. Unamortized Deferred Capital Contributions

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,509,018	\$ 3,407,486
Contributions	74,842	274,317
Amortization	<u>(198,452)</u>	<u>(172,785)</u>
Balance, end of year	<u>\$ 3,385,408</u>	<u>\$ 3,509,018</u>

Unamortized deferred capital contributions represents the funded portion of tangible capital assets which will be recognized as revenue on the same basis as the amortization of the related tangible capital assets. The amortization of capital contributions is reported as revenue in the statement of operations.

10. Internally Restricted

Internally restricted funds consist of a capital asset renewal and replacement fund. This fund is set aside for the upkeep of existing assets and replacement of capital assets as necessary.

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. The Board has made a motion to restrict the interest in the current year.

11. 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, 2022, the market value of this endowment was \$28,145 (December 31, 2021 - \$33,526) and the amount received from distributions for the year was \$1,326 (December 31, 2021 - \$1,910).

RED DEER HOSPICE SOCIETY

Notes to the Financial Statements

March 31, 2023

12. Financial Instruments

The Society's financial instruments consist of cash, accounts receivable, internally restricted cash, 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 the mortgage payable bear interest at fixed interest rates.

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 22.19% (2022 - 29.41%) foreign securities.

Red Deer Hospice Society
Condensed Statement of Operations
Year Ended March 31, 2023

	2023	2022
Revenues		
Alberta Health Services	\$ 2,759,260	\$ 2,788,678
General donations	813,352	834,684
Fundraising	211,362	207,047
Deferred capital contributions	198,452	172,785
Gift in kind	26,417	48,048
Investment income	17,977	14,790
Meals	13,407	10,704
Memberships	300	240
	<u>4,040,527</u>	<u>4,076,976</u>
Expenditures		
Wages and benefits	2,939,996	2,902,700
Other	347,194	307,751
Facility	262,449	202,813
Administration	208,798	169,506
Fundraising	62,531	142,866
Direct care costs	102,420	133,207
	<u>3,923,388</u>	<u>3,858,843</u>
Excess of revenues over expenditures before following items	<u>117,139</u>	<u>218,133</u>
Other revenue (expenditures)		
Realized gain on foreign exchange	1,511	1,015
Government assistance	-	3,769
Gain (loss) on sale of investments	(2,973)	12,333
Unrealized gain (loss) on investments	(19,782)	9,952
	<u>(21,244)</u>	<u>27,069</u>
Excess of revenues over expenditures	<u>\$ 95,895</u>	<u>\$ 245,202</u>