

PILGRIMS HOSPICE SOCIETY
Financial Statements
Year Ended December 31, 2014

PILGRIMS HOSPICE SOCIETY
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Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of
Pilgrims Hospice Society

Report on the Financial Statements

We have audited the accompanying financial statements of Pilgrims Hospice Society, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets 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.

Auditors' 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, the auditor considers internal control relevant to the entity'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 entity'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.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from various sources such as donations and special events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to operations, current assets or net assets.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Pilgrims Hospice Society as at December 31, 2014 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.

Other Matter

The prior year's financial statements were audited by another firm of Chartered Accountants.

Edmonton, Alberta
May 19, 2015



CHARTERED ACCOUNTANTS

PILGRIMS HOSPICE SOCIETY
Statement of Financial Position
December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash (Note 3)	\$ 255,138	\$ 130,124
Accounts receivable	12,492	9,410
Prepaid expenses	2,572	3,417
	<u>270,202</u>	142,951
PROPERTY AND EQUIPMENT (Note 4)	<u>315,414</u>	317,962
	<u>\$ 585,616</u>	\$ 460,913
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 29,337	\$ 41,802
Deferred contributions (Note 7)	84,093	45,718
Callable debt obligation (Note 8)	99,999	109,999
Current portion of obligation under capital lease (Note 9)	2,079	1,805
	<u>215,508</u>	199,324
OBLIGATION UNDER CAPITAL LEASE (Note 9)	4,835	6,792
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 10)	<u>115,280</u>	121,760
	<u>335,623</u>	327,876
NET ASSETS		
Invested in property and equipment	159,405	153,790
Unrestricted	90,588	(20,753)
	<u>249,993</u>	133,037
	<u>\$ 585,616</u>	\$ 460,913

APPROVED BY THE BOARD

_____ Director

_____ Director

PILGRIMS HOSPICE SOCIETY
Statement of Operations
Year Ended December 31, 2014

	2014	2013
REVENUE		
Special events	\$ 402,507	\$ 201,034
Donations (<i>Note 11</i>)	261,991	234,865
Alberta Health Services	101,399	99,900
Fee for service and rental	27,038	19,153
Amortization of deferred contributions related to property and equipment	20,621	19,387
Casino	15,411	62,343
Government grants	-	86,542
	828,967	723,224
EXPENSES		
Salaries and related benefits	471,370	434,508
Special events	123,772	76,462
Amortization	24,731	21,314
Office and miscellaneous	16,930	10,236
Advertising and promotion	13,374	21,110
Utilities	10,821	9,674
Repairs and maintenance	10,313	10,879
Interest and bank charges	9,401	6,961
Professional fees	7,785	17,102
Program costs	7,211	7,431
Insurance and licenses	6,427	7,216
Interest on callable debt	4,217	4,656
Telephone	3,437	2,849
Bad debts	1,205	-
Interest on obligation under capital lease	1,017	797
Consulting fees	-	1,025
Rent	-	6,499
	712,011	638,719
REVENUE OVER EXPENSES	\$ 116,956	\$ 84,505

PILGRIMS HOSPICE SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2014

	Invested in Property and Equipment	Unrestricted	2014	2013
NET ASSETS - BEGINNING OF YEAR	\$ 153,790	\$ (20,753)	\$ 133,037	\$ 48,532
Invested in property and equipment	8,042	(8,042)	-	-
Repayment of obligation under capital lease	1,683	(1,683)	-	-
Revenue over (under) expenses	(4,110)	121,066	116,956	84,505
NET ASSETS - END OF YEAR	\$ 159,405	\$ 90,588	\$ 249,993	\$ 133,037

PILGRIMS HOSPICE SOCIETY
Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Revenue over expenses	\$ 116,956	\$ 84,505
Items not affecting cash:		
Amortization	24,731	21,314
Amortization of deferred contributions related to property and equipment	(20,621)	(19,387)
	<u>121,066</u>	<u>86,432</u>
Changes in non-cash working capital items:		
Accounts receivable	(3,082)	(4,647)
Prepaid expenses	845	1,023
Accounts payable and accrued liabilities	(12,465)	(34,870)
Deferred contributions	38,375	14,485
	<u>23,673</u>	<u>(24,009)</u>
	<u>144,739</u>	<u>62,423</u>
INVESTING ACTIVITY		
Purchase of property and equipment	(22,183)	-
FINANCING ACTIVITIES		
Deferred contributions received for property and equipment	14,141	-
Repayment of callable debt obligation	(10,000)	(10,000)
Repayment of obligation under capital lease	(1,683)	(1,903)
	<u>2,458</u>	<u>(11,903)</u>
INCREASE IN CASH	125,014	50,520
Cash - beginning of year	<u>130,124</u>	<u>79,604</u>
CASH - END OF YEAR	\$ 255,138	\$ 130,124
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 5,234</u>	<u>\$ 5,453</u>

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

1. NATURE OF OPERATIONS

Pilgrims Hospice Society ("the Society") is a charitable organization incorporated under the Societies Act (Alberta). The Society was formed to own and operate a free-standing hospice in the Edmonton region that offers supportive care to enhance the quality and dignity of life for the terminally ill and their loved ones until natural death occurs. The Society is a registered charity under the Income Tax Act and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is recorded at the following rates and methods over the estimated useful lives of the assets as follows:

Building	20 years	straight-line method
Facility equipment	20%	declining balance method
Office equipment	20%	declining balance method
Furniture	20%	declining balance method
Computer equipment	30%	declining balance method
Fence	10 years	straight-line method
Equipment under capital lease	5 years	straight-line method

Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease; all other leases are accounted for as operating leases. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a straight-line basis, over their estimated useful lives. Rental payments under operating leases are expensed as incurred.

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PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue recognition

The Society follows the deferral method of accounting for contributions. Contributions, including operating grants, are included in revenue in the year in which they are received or receivable, with the exception that contributions to fund a specific future period's expenses are included in revenue in that later period. Contributions received for the acquisition of property and equipment are deferred and amortized to revenue on the same basis as the related property and equipment.

Fee for service and rental revenue is recognized for the period to which it applies and collection is reasonably assured.

Contributed goods and services

Contributed goods are recognized as revenue when their fair market value can be reasonably estimated. Volunteers contribute a significant amount of time each year to assist the Society in carrying out its programs and services. Contributed services of volunteers are not recognized as revenue in these financial statements because fair value cannot be reasonably determined.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost and tested for impairment at each reporting date.

Use of estimates

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 amounts reported in the financial statements. Significant estimates include amortization, accrued liabilities, deferred contributions, and deferred contributions related to property and equipment. By their nature, these estimates are subject to measurement uncertainty and actual results could differ.

3. RESTRICTED CASH

Cash includes \$2,126 (2013--\$56,332) in casino proceeds which can only be used in accordance with the licensing agreement with Alberta Gaming and Liquor Commission.

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 185,000	\$ -	\$ 185,000	\$ 185,000
Building	323,194	223,867	99,327	116,368
Facility equipment	23,210	21,530	1,680	2,100
Office equipment	14,889	10,169	4,720	844
Furniture	28,743	18,958	9,785	1,381
Computer equipment	44,188	36,191	7,997	2,663
Fence	6,014	5,409	605	1,206
Equipment under capital lease	10,500	4,200	6,300	8,400
	\$ 635,738	\$ 320,324	\$ 315,414	\$ 317,962

5. LINE OF CREDIT

The Society has a line of credit which provides for maximum borrowings of \$100,000 through a bank overdraft. The line of credit bears interest at prime plus 3.1%, payable monthly and is secured by personal guarantees from three current and one former director of \$25,000 each. As of December 31, 2014, the Society had not drawn upon the line of credit.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is the following government remittance:

	2014	2013
Payroll deductions	\$ 7,979	\$ 11,648

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

7. DEFERRED CONTRIBUTIONS

A portion of receipts received in the year are deferred to be recognized as revenue in future years as the related expenses are incurred.

Deferred contributions consist of the following:

	<u>2014</u>	<u>2013</u>
Soul Sisters Memorial Foundation	\$ 54,000	\$ -
Mayfield Rotary Club of Edmonton	21,000	21,000
St. Paul's Foundation	4,943	5,949
Casino	2,126	17,537
Realtors Community Foundation	1,024	-
Alberta Blue Cross	1,000	1,000
Multiple individuals	-	232
	<u>\$ 84,093</u>	<u>\$ 45,718</u>

8. CALLABLE DEBT OBLIGATION

	<u>2014</u>	<u>2013</u>
Term bank loan--prime plus 1.0%, due in monthly principal payments of \$833 plus interest through December 2024	<u>\$ 99,999</u>	<u>\$ 109,999</u>

Principal repayment terms are approximately:

2015	\$ 10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000
Thereafter	<u>49,999</u>
	<u>\$ 99,999</u>

Interest paid on the callable debt obligation totalled \$4,217 (2013--\$4,656).

The bank loan is payable on demand and is secured by land and building and a general security agreement covering all other assets.

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PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

8. CALLABLE DEBT OBLIGATION *(continued)*

In 2001, the Society had a line of credit that was used to repay \$29,706 of term debt that had been incurred to acquire property and equipment. In 2002, an additional \$4,109 from this line of credit was used to acquire property and equipment. In 2004, the Society repaid this line of credit with the proceeds of the demand bank loan. Since there has not been sufficient cash generated from operations to permanently pay down the original capital financing, the total amount of \$33,815 is still considered capital financing for the purpose of determining the balance invested in property and equipment.

9. OBLIGATION UNDER CAPITAL LEASE

	<u>2014</u>	<u>2013</u>
Capital lease obligation--secured by equipment with a carrying value of \$6,300, bearing interest at an inherent rate of 10%, payable in quarterly payments of \$675	\$ 6,914	\$ 8,597
Amounts payable within one year	<u>(2,079)</u>	<u>(1,805)</u>
	<u>\$ 4,835</u>	<u>\$ 6,792</u>

Total payments of obligations under capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,079	\$ 621	\$ 2,700
2016	2,297	403	2,700
2017	<u>2,538</u>	<u>162</u>	<u>2,700</u>
	<u>\$ 6,914</u>	<u>\$ 1,186</u>	<u>\$ 8,100</u>

10. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

Deferred contributions related to property and equipment represent contributions received to fund the cost of property and equipment additions. The changes in deferred contributions related to the property and equipment balance for the year are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 121,760	\$ 140,747
Donated equipment	14,141	400
Less amounts amortized	<u>(20,621)</u>	<u>(19,387)</u>
Balance at end of year	<u>\$ 115,280</u>	<u>\$ 121,760</u>

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

11. DONATIONS

Donations revenue includes donations from:

	<u>2014</u>	<u>2013</u>
Foundations	\$ 184,333	\$ 91,095
Individuals	48,904	104,043
Donations-in-kind	16,241	18,378
Corporations	10,763	18,749
Churches	1,750	2,600
	<u>\$ 261,991</u>	<u>\$ 234,865</u>

12. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, callable debt obligation and obligation under capital lease.

The Society is exposed to the following risks through its financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation or there is a concentration of transactions carried out with the same party. The Society's main credit risk relates to accounts receivable. Accounts receivable are generally amounts due from government agencies. It is management's opinion that there is no significant credit risk as of December 31, 2014.

Liquidity risk

Liquidity risk arises from the possibility that the Society might encounter difficulty in settling its debts or in meeting its obligations related to financial liabilities. It is management's opinion that there is no significant liquidity risk as of December 31, 2014.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk through its callable debt obligation, which bears interest at a variable rate.
