PILGRIMS HOSPICE SOCIETY

Financial Statements

Year Ended December 31, 2018

PILGRIMS HOSPICE SOCIETY
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Year Ended December 31, 2018

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PETERSON WALKER LLP
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Members of
Pilgrims Hospice Society

Qualified Opinion

We have audited the financial statements of Pilgrims Hospice Society (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets 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 possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from special events 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 operations, assets or net assets.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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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.
- 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.

Peterson Walker LLP

CHARTERED ACCOUNTANTS

Edmonton, Alberta
May 22, 2019

PILGRIMS HOSPICE SOCIETY
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash *(Note 3)*	$ 887,625	$ 831,483
Short-term investments	2,973,508	-
Accounts receivable	12,716	68,462
Prepaid expenses	947	1,997
	3,874,796	901,942
LONG-TERM INVESTMENTS	252,050	-
PROPERTY AND EQUIPMENT *(Note 4)*	196,400	246,262
	$ 4,323,246	$ 1,148,204
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities *(Note 5)*	$ 51,832	$ 35,398
Deferred contributions *(Note 6)*	3,753,753	209,835
Callable debt obligation *(Note 7)*	-	69,999
	3,805,585	315,232
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT *(Note 8)*	5,577	56,014
	3,811,162	371,246
NET ASSETS		
Invested in property and equipment	190,823	190,248
Internally restricted *(Note 9)*	333,500	333,500
Unrestricted	(12,239)	253,210
	512,084	776,958
	$ 4,323,246	$ 1,148,204

COMMITMENTS *(Note 11)*

APPROVED BY THE BOARD

_______________________ *Director*

_______________________ *Director*

PILGRIMS HOSPICE SOCIETY

Statement of Operations

Year Ended December 31, 2018

	2018	2017
REVENUE		
Special events	**$ 404,755**	$ 288,051
Donations *(Note 12)*	**234,595**	250,573
Alberta Health Services	**106,350**	105,904
Roozen Family Hospice Centre donations *(Note 10)*	**79,939**	-
Amortization of deferred contributions related to property and equipment	**50,437**	18,995
Casino	**29,963**	79,157
Government grants	**17,500**	57,000
Fee for service and rental	**11,300**	29,075
	934,839	828,755
EXPENSES		
Salaries and related benefits	**765,928**	580,729
Special events	**148,207**	84,161
Roozen Family Hospice Centre project *(Note 10)*	**79,939**	-
Office and miscellaneous	**70,860**	32,077
Amortization	**54,208**	23,640
Repairs and maintenance	**14,432**	14,000
Utilities	**11,999**	10,172
Investment loss	**10,832**	-
Interest and bank charges	**9,858**	7,374
Program costs	**8,521**	10,019
Advertising and promotion	**7,683**	6,594
Insurance and licenses	**7,375**	7,351
Professional fees	**6,447**	6,381
Telephone	**3,181**	3,331
Bad debts	**138**	935
Interest on callable debt obligation	**105**	2,931
Interest on obligation under capital lease	**-**	158
Consulting fees	**-**	16,599
	1,199,713	806,452
OPERATING REVENUE (UNDER) OVER OPERATING EXPENSES	**(264,874)**	22,303
BEQUESTS	**-**	333,500
REVENUE (UNDER) OVER EXPENSES	**$ (264,874)**	$ 355,803

PILGRIMS HOSPICE SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Invested in Property and Equipment	Internally Restricted	Unrestricted	**2018**	2017
NET ASSETS - BEGINNING OF YEAR	$ 190,248	$ 333,500	$ 253,210	**$ 776,958**	$ 421,155
Purchase of equipment	4,346	-	(4,346)	**-**	-
Revenue (under) over expenses	(3,771)	-	(261,103)	**(264,874)**	355,803
NET ASSETS - END OF YEAR	$ 190,823	$ 333,500	$ (12,239)	**$ 512,084**	$ 776,958

PILGRIMS HOSPICE SOCIETY
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Revenue (under) over expenses	$ (264,874)	$ 355,803
Items not affecting cash:		
Amortization	54,208	23,640
Amortization of deferred contributions related to property and equipment	(50,437)	(18,995)
Unrealized loss on investments	57,845	-
Realized gain on sale of investments	(2,984)	-
	(206,242)	360,448
Changes in non-cash working capital items:		
Accounts receivable	55,746	(41,545)
Prepaid expenses	1,050	2,480
Accounts payable and accrued liabilities	16,437	2,017
Deferred contributions	3,543,918	103,761
	3,617,151	66,713
	3,410,909	427,161
INVESTING ACTIVITIES		
Purchase of equipment	(4,346)	-
Proceeds from sale of investments	3,270,088	-
Purchase of investments	(6,550,510)	-
	(3,284,768)	-
FINANCING ACTIVITIES		
Repayment of callable debt obligation	(69,999)	(10,000)
Repayment of obligation under capital lease	-	(2,538)
	(69,999)	(12,538)
INCREASE IN CASH	56,142	414,623
Cash - beginning of year	831,483	416,860
CASH - END OF YEAR	$ 887,625	$ 831,483

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. 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.

Short-term investments

Short-term investments consist of marketable securities recorded at fair market value and term deposits with maturities within one year. Term deposits are record at cost plus accrued interest. Any gains and losses on marketable securites are recorded in the statement of operations.

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

Long-term investments

Long-term investments include term deposits with maturity dates greater than one year. Term deposits are recorded at cost plus accrued interest.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Special events and fee for service and rental revenue are recognized in 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 $9,293 (2017--$39,256) in casino proceeds which can only be used in accordance with the licensing agreement with Alberta Gaming, Liquor and Cannabis Commission.

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2018

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Land	$ 185,000	$ -	**$ 185,000**	$ 185,000
Building	325,962	325,962	**-**	50,764
Facility equipment	23,210	23,210	**-**	860
Office equipment	14,889	12,956	**1,933**	2,416
Furniture	33,089	25,170	**7,919**	5,010
Computer equipment	47,160	45,612	**1,548**	2,212
Fence	6,014	6,014	**-**	-
Equipment under capital lease	10,500	10,500	**-**	-
	$ 645,824	$ 449,424	**$ 196,400**	$ 246,262

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2018	2017
Payroll deductions	**$ 14,103**	$ 11,295

6. 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:

	2018	2017
Roozen Family Hospice Centre donations	**$ 3,744,460**	$ 170,579
Casino	**9,293**	39,256
	$ 3,753,753	$ 209,835

7. CALLABLE DEBT OBLIGATION

	2018	2017
Term bank loan--paid out during the year.	**$ -**	$ 69,999

Interest paid on the callable debt obligation totalled $105 (2017--$2,931).

8. 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:

	2018	2017
Balance at beginning of year	**$ 56,014**	$ 75,009
Less amounts amortized	**(50,437)**	(18,995)
Balance at end of year	**$ 5,577**	$ 56,014

9. INTERNALLY RESTRICTED

The Society has established an internally restricted fund to be used for future projects in the event of an unanticipated funding loss. The Board has transferred $333,500 to the fund from bequests received. The Board controls the funds and all transfers require Board approval.

10. ROOZEN FAMILY HOSPICE CENTRE

During the year, the Society recieved significant donations towards the construction of a new building-the Roozen Family Hospice Centre-to house all of the existing programs of Pilgrims Hospice Society and to expand to include 12 residential hospice suites, providing 24/7 end-of-life care. Construction on the Centre will begin in 2019. Donations are being collected and deferred for the development and construction of this Centre. Current year revenue and expenses were related to the capital campaign costs and marketing as well as the initial stages of the development of the Centre. As the Society faces the competing needs of raising annual funds to support current operations, program delivery and raising capital funds to support the development of the Roozen Family Hospice Centre the Board approved the transfer of up to 3% of funds raised for capital to support current operations.

11. COMMITMENTS

The Society has signed a contract with S2 Architecture for architectural and design services in relation to the design and contract administration of the Roozen Family Hospice Centre. The total contract amounts to $319,000.

In April 2019 the Society entered into a lease agreement with respect to office space while the Roozen Family Hospice Centre is being built. The lease expires October 31, 2020 and annual lease payments are as follows:

2019	$ 64,555
2020	110,936
	$ 175,491

12. DONATIONS

Donations include:

	2018	2017
Foundations	$ 164,697	$ 188,803
Individuals	48,956	43,383
Donations-in-kind	9,963	276
Corporations	9,897	16,638
Churches	1,082	1,473
	$ 234,595	$ 250,573

13. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, short term investments, accounts receivable, long term investments and accounts payable and accrued liabilities.

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, 2018.

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, 2018.

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 on its short-term and long-term investments. These investments are held with a major institution and have a varied portfolio.