

PILGRIMS HOSPICE SOCIETY
Financial Statements
Year Ended December 31, 2020

PILGRIMS HOSPICE SOCIETY
Index to Financial Statements
Year Ended December 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 14

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, 2020, 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, 2020, 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.

Edmonton, Alberta
June 23, 2021



CHARTERED PROFESSIONAL ACCOUNTANTS

PILGRIMS HOSPICE SOCIETY
Statement of Financial Position
December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash (Note 3)	\$ 4,616,837	\$ 2,106,590
Short-term investments	107,945	3,878,429
Accounts receivable (Note 4)	601,734	1,165,320
Prepaid expenses	222,364	-
	<u>5,548,880</u>	7,150,339
LONG-TERM INVESTMENTS	41,037	107,764
LONG-TERM PLEDGES	197,700	1,234,243
PROPERTY AND EQUIPMENT (Note 5)	<u>10,704,639</u>	2,888,064
	<u>\$ 16,492,256</u>	<u>\$ 11,380,410</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 1,835,131	\$ 1,200,116
Deferred contributions (Note 7)	<u>3,116,039</u>	<u>6,321,807</u>
	4,951,170	7,521,923
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 8)	<u>10,514,101</u>	2,696,126
	<u>15,465,271</u>	10,218,049
NET ASSETS		
Invested in property and equipment	190,538	191,938
Internally restricted (Note 9)	792,363	792,363
Unrestricted	<u>44,084</u>	<u>178,060</u>
	<u>1,026,985</u>	1,162,361
	<u>\$ 16,492,256</u>	<u>\$ 11,380,410</u>

COMMITMENT (Note 11)

EXTRAORDINARY EVENT (Note 12)

APPROVED BY THE BOARD

_____ Director

_____ Director

PILGRIMS HOSPICE SOCIETY
Statement of Operations
Year Ended December 31, 2020

	2020	2019
OPERATING REVENUE		
Donations (<i>Note 13</i>)	\$ 358,997	\$ 326,102
Canada Emergency Wage Subsidy	264,465	-
Government grants	196,500	76,855
Roozen Family Hospice Centre donations (<i>Note 10</i>)	170,205	113,415
Alberta Health Services	107,415	108,214
Mail campaign donations	34,290	82,706
Casino	7,040	15,540
Fee for service and rental	2,790	12,256
Special events	2,365	346,018
Amortization of deferred contributions related to property and equipment	985	1,134
	<u>1,145,052</u>	<u>1,082,240</u>
OPERATING EXPENSES		
Salaries and related benefits	987,641	849,210
Roozen Family Hospice Centre project (<i>Note 10</i>)	170,205	113,415
Office and miscellaneous	87,095	77,955
Relocation expenses	54,152	84,137
Program costs	26,762	31,241
Special events	13,887	99,067
Mail campaign	8,959	6,012
Professional fees	7,313	6,534
Interest and bank charges	7,154	10,719
Advertising and promotion	6,993	7,056
Insurance and licenses	6,579	9,351
Repairs and maintenance	6,012	7,070
Telephone	2,812	3,904
Amortization	2,385	2,704
Bad debts	1,095	700
Utilities	324	6,727
	<u>1,389,368</u>	<u>1,315,802</u>
OPERATING REVENUE UNDER OPERATING EXPENSES	<u>(244,316)</u>	<u>(233,562)</u>
OTHER INCOME (EXPENSES)		
Investment income	83,940	165,251
Bequests	25,000	718,588
	<u>108,940</u>	<u>883,839</u>
REVENUE (UNDER) OVER EXPENSES	<u>\$ (135,376)</u>	<u>\$ 650,277</u>

PILGRIMS HOSPICE SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2020

	Invested in Property and Equipment	Internally Restricted	Unrestricted	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 191,938	\$ 792,363	\$ 178,060	\$ 1,162,361	\$ 512,084
Revenue (under over expenses)	(1,400)	-	(133,976)	(135,376)	650,277
NET ASSETS - END OF YEAR	\$ 190,538	\$ 792,363	\$ 44,084	\$ 1,026,985	\$ 1,162,361

PILGRIMS HOSPICE SOCIETY
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Revenue (under) over expenses	\$ (135,376)	\$ 650,277
Items not affecting cash:		
Amortization	2,385	2,704
Amortization of deferred contributions related to property and equipment	(985)	(1,134)
Unrealized gain on investments	(36,010)	(6,815)
Realized gain on sale of investments	(33,486)	(68,094)
	<u>(203,472)</u>	576,938
Changes in non-cash working capital items:		
Accounts receivable	563,586	(1,152,604)
Prepaid expenses	(222,364)	947
Accounts payable and accrued liabilities	635,015	1,148,284
Deferred contributions	(3,205,768)	2,568,054
	<u>(2,229,531)</u>	2,564,681
	<u>(2,433,003)</u>	3,141,619
INVESTING ACTIVITIES		
Purchase of property and equipment	(7,818,960)	(2,694,368)
Proceeds from sale of investments	4,307,154	111,331
Purchase of investments	(400,447)	(797,057)
Long-term pledges collected (committed)	1,036,543	(1,234,243)
	<u>(2,875,710)</u>	(4,614,337)
FINANCING ACTIVITY		
Deferred contributions received for property and equipment	7,818,960	2,691,683
INCREASE IN CASH	2,510,247	1,218,965
Cash - beginning of year	2,106,590	887,625
CASH - END OF YEAR	\$ 4,616,837	\$ 2,106,590

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

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 recorded at cost plus accrued interest. Any gains and losses on marketable securities 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	40 years	straight-line method
Mechanical system	20 years	straight-line method
Roof	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

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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PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

2. 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.

Pledges are recorded if the amount is determinable and collection is reasonably assured.

Special events and fee for service and rental revenue are recognized in the period to which it applies and collection is reasonably assured.

Investment income is recognized as it is earned.

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 useful life of property and equipment, 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 \$85,232 (2019--\$68,773) in gaming 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, 2020

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Pledges	\$ 519,032	\$ 421,669
Goods and Services Tax rebate	77,367	73,069
Other	5,335	4,970
Bequests	-	665,612
	<u>\$ 601,734</u>	<u>\$ 1,165,320</u>

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	<u>2020 Net book value</u>	<u>2019 Net book value</u>
Land	\$ 185,000	\$ -	\$ 185,000	\$ 185,000
Building	8,026,161	-	8,026,161	2,691,683
Mechanical system	1,965,076	-	1,965,076	-
Roof	96,614	-	96,614	-
Facility equipment	400,194	-	400,194	-
Office equipment	14,889	13,652	1,237	1,546
Furniture	58,370	28,772	29,598	8,751
Computer equipment	36,677	35,918	759	1,084
	<u>\$ 10,782,981</u>	<u>\$ 78,342</u>	<u>\$ 10,704,639</u>	<u>\$ 2,888,064</u>

No amortization has been taken on the building, mechanical system, roof, facility equipment and furniture for new hospice as it is was not complete until January 2021.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities:

	<u>2020</u>	<u>2019</u>
Hospice Centre construction and development payables	\$ 1,751,189	\$ 1,126,458
Trade payables	46,261	37,104
Vacation payable	37,681	20,200
Payroll deductions	-	16,354
	<u>\$ 1,835,131</u>	<u>\$ 1,200,116</u>

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

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>2020</u>	<u>2019</u>
Roozen Family Hospice Centre donations	\$ 3,030,807	\$ 6,253,034
Casino	65,732	68,773
Edmonton Oilers Community Foundation	19,500	-
	<u>\$ 3,116,039</u>	<u>\$ 6,321,807</u>

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:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 2,696,126	\$ 5,577
Contributions	7,818,960	2,691,683
Less amounts amortized	(985)	(1,134)
Balance at end of year	<u>\$ 10,514,101</u>	<u>\$ 2,696,126</u>

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 \$0 (2019--\$458,863) 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 received 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 began 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 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.

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

11. COMMITMENT

The Society has signed a contract with Synergy Projects Ltd. for construction services in relation to the Roozen Family Hospice Centre. The total contract amounts to \$9,683,440. As at December 31, 2020 a total of \$7,634,910 had been paid on the contract and \$1,475,420 was included in accounts payable. Accounts payable includes holdbacks to date. Final holdbacks and progress payments were paid subsequent to year end.

12. EXTRAORDINARY EVENT

In March 2020, the Government of Alberta declared a public health emergency. This resulted in the temporary suspension of the Hospice Day Program at the Society for a portion of the year. Participants of the program continue to be supported remotely and Alberta Health Services funding continued. Other programs of the Society were delivered via telephone or video conferencing.

Restrictions on events and gatherings and social distancing measures enforced by the government, resulted in special events being cancelled for the Society and a significant reduction in special event revenue. To mitigate the impact of these cancelled events, the Society was able to access the Canada Emergency Wage Subsidy for a portion of the year.

Management has assessed the financial impact of COVID-19 as at December 31, 2020, including collectibility of receivables, long-term pledges and valuation of assets. While special event revenue will continue to be impacted, they feel that there is no collectibility issues or impact on assets.

13. DONATIONS

Donations include:

	<u>2020</u>	<u>2019</u>
Foundations	\$ 174,822	\$ 201,295
Individuals	109,943	61,445
Corporations	35,178	42,726
Donations-in-kind	31,684	17,989
Service clubs	6,550	1,250
Churches	820	1,397
	<u>\$ 358,997</u>	<u>\$ 326,102</u>

PILGRIMS HOSPICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2020

14. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, short-term investments, accounts receivable, long-term investments, long-term pledges 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 and individual donations with collection assured. It is management's opinion that there is no significant credit risk as of December 31, 2020.

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, 2020.

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.
