Wellspring Calgary

Financial Statements
December 31, 2016

April 28, 2017

Independent Auditor's Report

To the Directors of
Wellspring Calgary

We have audited the accompanying financial statements of Wellspring Calgary, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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, 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.

PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wellspring Calgary as at December 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Wellspring Calgary

Statement of Financial Position

As at December 31, 2016

	2016 $	2015 $
Assets		
Current assets		
Cash and cash equivalents	686,497	275,309
Short-term investments (note 3)	4,000,000	232,194
Interest, receivables and land deposit	219,595	156,603
	4,906,092	664,106
Capital assets (note 4)	2,544,938	2,508,421
Investments (note 5)	8,756,451	8,937,405
	16,207,481	12,109,932
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	88,838	47,923
Deferred donations (note 6)	472,153	348,312
Ten year gifts (note 7)	544,385	2,416,000
	1,105,376	2,812,235
Deferred contributions		
Deferred donations (note 6)	14,564	131,190
Ten year gifts (note 7)	1,467,109	2,011,494
Carma House (note 8)	1,128,283	1,154,883
Randy O'Dell House donation (note 9)	4,000,000	-
	7,715,332	6,109,802
Net assets		
Endowments (note 10)	1,628,539	1,627,343
Internally restricted for investment in capital assets	1,400,568	1,353,835
Internally restricted (note 10)	600,000	600,000
Unrestricted	4,863,042	2,418,952
	8,492,149	6,000,130
	16,207,481	12,109,932

Commitment (note 18)

See the accompanying notes to the financial statements

Approved by the Board of Directors

David C Haines Director ___ G A Woodward ___ Director

Wellspring Calgary

Statement of Operations

For the year ended December 31, 2016

	2016 $	2015 $
Revenue		
Donations (note 6)	846,285	794,382
Revenue and donations from events	405,404	398,352
Investment income	311,804	293,484
Donated securities (note 2(e))	55,535	-
Provincial grant	52,761	-
Recovery of expenses	27,591	33,219
Amortization of deferred contributions	28,420	26,600
	1,727,800	1,546,037
Expenses		
Programs (note 11)	1,243,560	1,050,083
Fundraising (note 12)	236,895	192,493
Administration	193,613	205,130
Growth campaign (note 13)	85,892	-
Events	52,350	86,263
Amortization	45,837	38,438
	1,858,147	1,572,407
Deficiency of revenue over expenses before other items	(130,347)	(26,370)
Other items		
Realized ten year gifts (note 7)	2,416,000	-
Net realized gain on sale of investments	117,793	279,824
Unrealized gain (loss) gain on portfolio investments	126,541	(203,688)
Unrealized (loss) gain on foreign exchange	(39,164)	207,744
	2,621,170	283,880
Excess of revenue over expenses	2,490,823	257,510

See the accompanying notes to the financial statements

Wellspring Calgary

Statement of Changes in Net Assets

For the year ended December 31, 2016

					2016	2015
	Unrestricted $	Internally restricted $	Restricted for endowment purposes $	Internally restricted net investment in capital assets $	Total $	Total $
Net assets – Beginning of year	2,418,952	600,000	1,627,343	1,353,835	6,000,130	5,737,870
Excess of revenue over expenses	2,490,823	-	-	-	2,490,823	257,510
Contributed capital asset	18,204	-	-	(18,204)	-	-
Endowment contributions	-	-	1,196	-	1,196	4,750
Purchase of capital assets	(82,354)	-	-	82,354	-	-
Amortization of capital assets	45,837	-	-	(45,837)	-	-
Amortization of deferred contributions	(28,420)	-	-	28,420	-	-
Net assets – End of year	4,863,042	600,000	1,628,539	1,400,568	8,492,149	6,000,130

See the accompanying notes to the financial statements

Wellspring Calgary

Statement of Cash Flows

For the year ended December 31, 2016

	2016 $	2015 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	2,490,823	257,510
Items not involving cash		
Amortization of capital assets	45,837	38,438
Amortization of deferred contributions	(28,420)	(26,600)
Net realized gain on sale of investments	(117,793)	(279,824)
Unrealized (gain) loss on portfolio investments	(126,541)	203,688
Unrealized loss (gain) on foreign exchange	39,164	(207,744)
	2,303,070	(14,532)
Net change in non-cash working capital (note 16)	(2,447,246)	(265,398)
Cash used in operating activities	(144,176)	(279,930)
Financing activities		
Randy O' Dell House donation	4,000,000	-
Endowment contributions	1,196	4,750
Cash provided by financing activities	4,001,196	4,750
Investing activities		
Purchase of short-term investments	(4,000,000)	-
Proceeds from sale of short-term investments	232,194	1,393,822
Purchase of capital assets	(64,150)	(19,367)
Purchase of investments	(4,263,905)	(4,951,736)
Proceeds from sale of investments	4,650,029	3,789,149
Cash (used in) provided by investing activities	(3,445,832)	211,868
Increase (decrease) in cash and cash equivalents	411,188	(63,312)
Cash and cash equivalents – Beginning of year	275,309	338,621
Cash and cash equivalents – End of year	686,497	275,309
Cash and cash equivalents is represented by		
Cash	549,154	141,180
Cash held with investment managers	137,343	134,129
	686,497	275,309

See the accompanying notes to the financial statements

1 Purpose of the Organization

Wellspring Calgary (the "Organization") was founded for the purpose of providing: support programs and services for families living with cancer; opportunities for the development of self-help skills leading to an enhanced quality of life; access to information; education for health care professionals; and evaluation and research into the benefits of supportive care. The Organization was incorporated, without share capital, under the Alberta Companies Act on February 16, 2006 and is a registered charity under the Income Tax Act.

The Organization operated out of two locations in the year, the original Carma House and a newly leased centre called Fountain Court, as of October 2016. Once construction is complete, programs offered at Fountain Court will be relocated to the future Randy O'Dell House.

2 Significant accounting policies

The Organization's accounting and reporting policies conform to Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following:

a) Use of estimates

The preparation of financial statements in conformity with ASNPO 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 year. Significant estimates included in these financial statements are the useful life of capital assets and accruals. Actual results can differ from those estimates.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Endowment contributions are recognized as direct increases in net assets.

Unrestricted investment income is recognized as revenue when earned. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

c) Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives as follows:

Building	2 –4%
Furniture and equipment	20%
Computer hardware	30%
Computer software	100%

Donated capital assets are recorded at fair market value when such value can be reasonably determined and are depreciated in accordance with the Organization's accounting policy for capital assets.

When indicators exist that an asset no longer has long-term service potential to the Organization, the excess of the net carrying amount over the expected residual value is written off in the statement of operations.

d) Donations-in-kind

Volunteers contributed 10,895 hours assisting the Organization (2015 – 9,594 volunteer hours). Because of the difficulty of determining the fair value of volunteer services, contributed services related to volunteer activities are not recognized in the financial statements. Donated goods and services are recorded as both revenue and expense when the fair market value is reasonably determined and when they would normally be purchased and paid for by the organization, if not donated.

Donated furniture received during the year and recorded in the financial statements is $18,800 (2015 – $963), which is the stated fair value on the date the furniture was received by the Organization.

e) Donated securities

When received, donated securities are immediately sold. Cash proceeds are used in accordance with the stipulations specified by the donor. Revenue associated with donated securities is recognized or deferred in accordance with revenue recognition policy. The total amounts received during the year were $106,731 (2015 – $nil). Of the $106,731 received in the year, $55,535 was recognized as revenue, $50,000 remains deferred, and $1,196 is included in endowed net assets, in accordance with donors' stipulations.

f) Cash and cash equivalents

Cash and cash equivalents include amounts held with banks and investment managers.

g) Short-term investments

Short-term investments are bank financial instruments that are highly liquid with a maturity of less than one year, readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

h) Allocation of expenses

The Organization allocates its costs to three functional areas: programs, fundraising and administration. General costs are allocated to the functional areas based on employee time spent and on usage of space in each area.

i) Financial instruments

The Organization initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than investments as described in note 2(j). The financial assets subsequently measured at amortized cost include cash and cash equivalents, short-term investments, and interest, receivables and other. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

j) Investments

Portfolio bonds and equities that are traded in the open market are measured at fair value. Pooled investments are measured at cost and are tested for impairment at the end of each year. If an impairment has occurred, an assessment is performed to determine if a reduction to the recoverable amount will be recognized. Write downs of impairment losses will be recognized in the statement of operations.

k) Foreign exchange

All amounts in the accompanying financial statements are stated in Canadian dollars. Foreign investment income is translated at the rates of exchange in effect on the dates of the transaction and foreign assets and liabilities are translated at the year–end rates of exchange.

3 Short-term investments

Short-term investments of $4,000,000 (2015 – $232,194) are invested in highly liquid bank financial instruments, until required for the future design and construction of a new building called the Randy O'Dell House, as described in note 9.

4 Capital assets

			2016	2015
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Land	1,300,154	-	1,300,154	1,300,154
Building	1,373,109	216,207	1,156,902	1,185,250
Furniture and equipment	130,905	63,732	67,173	20,314
Computer hardware	37,962	17,253	20,709	2,703
Computer software	24,322	24,322	-	-
	2,866,452	321,514	2,544,938	2,508,421

In 2007, the Organization received a contribution of $400,000 from Brookfield Residential Properties Inc. (formerly Carma Developers LP) towards the cost of the land. An additional $1,330,000 was contributed by Brookfield Residential Properties Inc. toward the design and construction of the building known as Carma House that was completed in May 2009.

5 Investments

	2016 $	2015 $
Portfolio funds		
Canadian equities	1,457,297	1,322,035
International equities	1,284,240	1,453,366
Bonds	1,771,725	1,726,750
	4,513,262	4,502,151
Pooled funds		
Canadian equities	1,413,248	1,499,518
International equities	706,347	791,403
Bonds	2,123,594	2,144,333
	4,243,189	4,435,254
	8,756,451	8,937,405

All long-term investments are externally managed by investment advisors.

In order to earn financial returns at an acceptable level of risk, the Organization has established an asset mix policy of 40% to 65% for fixed income instruments, 0 to 5% for cash and 35% to 60% for equities. Risk is reduced by asset class diversification, within each class and quality constraints.

Bonds and debentures are managed with the objective of providing optimal returns while maintaining maximum security of capital. Risk is reduced by requiring that 80% of such instruments have a rating of A minus or higher by the Dominion Bond Rating Service.

Risk in equity investments is reduced by limiting exposure to any one stock to 10% of the total market value of the Organization's equity portfolio.

Portfolio funds are measured at fair value and pooled funds are measured at cost. The fair value of the pooled funds as of December 31, 2016 was $4,442,419 (2015 – $4,537,395).

6 Deferred donations

	Total deferred donations 2016 $	Total deferred donations 2015 $
Balance – Beginning of the year	479,502	640,514
Restricted donations received in year	536,908	315,593
Casino proceeds	69,797	-
	1,086,207	956,107
Used for programs in year	(599,490)	(476,605)
	486,717	479,502
Less: Current portion	(472,153)	(348,312)
Balance – End of year	14,564	131,190

Deferred donations consist of funds received that are restricted for specific purposes and are recognized in income when expenditures meeting the restrictions are made. Casino proceeds are for specified expenditures and are recognized in income when the expenditures are incurred.

Restricted donations of $544,909 (2015 – $476,605) are included in current year's donations revenue of $846,285 (2015 – $794,382), and $52,761 (2015 – $nil) is included under provincial grant.

7 Deferred contributions – Ten year gifts

Ten year gifts represent contributions from individuals subject to the direction that they be retained for a minimum of ten years. Upon expiration of the ten year restriction, the funds are recognized into revenue and are available for general purpose use.

	2016 $	2015 $
Amount of restricted contributions	2,011,494	4,427,494
Less: Current portion	(544,385)	(2,416,000)
	1,467,109	2,011,494

These contributions become available for general use by the Organization as follows:

Year of expiry	Amount of restricted contributions $
2018	467,109
2020	1,000,000
	1,467,109

8 Deferred contribution – Carma House

The deferred contribution consists of the appraised value of Carma House contributed by Brookfield Residential Properties Inc. and is being amortized at a rate of 2% annually. This contribution includes a stipulation that provides Brookfield Residential Properties Inc. the right of first refusal in the event the Organization decides to sell the building prior to 2019.

9 Deferred contribution – Randy O'Dell House donation

During the year, the Organization received a restricted donation of $4,000,000 from a donor for the future design and construction of a new centre to be called the Randy O'Dell House. This restricted donation has been classified as long-term as construction is not expected to commence in the next 12 months.

10 Endowed and Internally restricted net assets

Endowment fund investment income of $76,515 (2015 – $75,502) is recognized as revenue.

Amounts restricted for investment in capital assets represent the net amount of capital assets less deferred contributions for Carma House and contributed capital assets.

In 2006, the Board approved net assets of $600,000 to be restricted for the purpose of providing for future years' operating costs.

11 Related party transactions

The Organization paid $1,643 (2015 – $2,903) in program instruction costs to one of its directors. These costs are measured at agreed upon amounts and are recorded in program expenses.

12 Fundraising

As required under section 7(2)(e) of the Alberta Charitable Fundraising regulation, the following amounts are disclosed:

	2016 $	2015 $
Remuneration to employees whose principal duties involve fundraising	151,604	114,572

No direct costs were incurred for soliciting contributions and no amounts were paid as remuneration to a fundraising business.

13 Growth campaign

During the year the organization commenced a growth campaign. The campaign is projected to run for three years and intended to raise funds to meet growing demands within the community and for the future development of the Randy O'Dell House.

14 Allocation of expenses

The allocation of general operating expenses for the following functional areas is based on employee time spent and on usage of space in each area.

	2016 $	2015 $
Program	335,929	221,092
Fundraising	7,996	3,854
Administration	7,847	3,788
	351,772	228,734

15 Government remittances

Government remittances consist of amounts required to be paid to the government authorities and are recognized when the amounts are due. As of December 31, 2016, there were no amounts outstanding and payable to government authorities (2015 – $nil).

16 Net change in non-cash working capital

	2016 $	2015 $
Interest, receivables and land deposit	(62,992)	(107,946)
Accounts payable and accrued liabilities	40,915	3,560
Deferred donations (note 6)	(9,169)	(161,012)
Ten year gifts (note 7)	(2,416,000)	-
	(2,447,246)	(265,398)

17 Financial risk management

a) Interest rate risk

The Organization is exposed to interest rate risk on its investments, which can mean that if interest rates decline the Organization may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing. Corporate bonds and notes are also subject to general changes in the economic conditions of the market the issuers or these securities operate in and their respective business performance. These investments mature at various dates from November 2017 to September 2026 and have market yields varying from approximately 1.25% to 5.34%. To mitigate this risk, the Organization engages external investment advisors to manage the investment portfolio in accordance with the Organization's board approved investment guidelines.

Short term investments mature in April 2017 and are subject to fluctuations in bank interest rates and currently have a yield of 1% to 1.35%.

b) Liquidity risk

In the current economic environment the Organization may be subject to liquidity risk if required to realize its investments in the near term. The risk is mitigated in part by the Organization maintaining a certain level of cash-on-hand to meet current operating requirements. The Organization has exposure to foreign exchange risk through holding foreign equities.

c) Credit risk

The Organization does not have a concentration of credit exposure with any one donor. The Organization does not consider that it is exposed to undue credit risk.

d) Price risk

The investments of the Organization are subject to price risk because changing interest rates impact the market value of the fixed rate investments, general economic conditions affect the market value of equity investments, and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar. The risk is mitigated through the use of external investment managers who are responsible for the long-term investments and whose performance is routinely assessed by the Organization's Investment Committee.

18 Commitment

During the year, the Organization entered into a short-term lease agreement for the Fountain Court centre to provide additional programs. These additional programs will be relocated to the Randy O'Dell House once construction of that facility is complete. The lease payments for the next three years are as follows:

	$
2017	174,125
2018	174,125
2019	116,083
	464,333

19 Comparative information

Certain comparative figures were modified to conform to the current year's presentation.