Wellspring Calgary

Financial Statements
December 31, 2012 and 2011

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May 24, 2013

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, 2012 and 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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.

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We believe that the audit evidence we have obtained in our audits 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, 2012 and 2011, and January 1, 2011,and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

Wellspring Calgary

Statements of Financial Position

	As at December 31, 2012 $	As at December 31, 2011 $	As at January 1, 2011 $
Assets			
Current assets			
Cash and cash equivalents	584,642	905,020	777,814
Accounts receivable	24,623	49,344	27,667
Prepaid and deposits	24,083	28,477	7,635
	633,348	982,841	813,116
Capital assets (note 4)	2,583,049	2,616,020	2,650,872
Investments (note 5)	6,156,621	5,590,376	6,063,303
	9,373,018	9,189,237	9,527,291
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	37,339	81,486	17,247
Deferred donations and provincial grants (note 6)	105,334	197,747	22,969
	142,673	279,233	40,216
Deferred contributions			
Ten year gifts (note 7)	4,427,494	4,427,494	4,427,494
Carma House (note 8)	1,234,684	1,261,284	1,287,884
	5,662,178	5,688,778	5,715,378
	5,804,851	5,968,011	5,755,594
Net assets			
Endowments (note 9)	1,620,593	1,619,593	1,618,593
Internally restricted for investment in capital assets	1,348,458	1,354,829	1,362,989
Internally restricted (note 9)	600,000	600,000	600,000
Unrestricted	(884)	(353,196)	190,115
	3,568,167	3,221,226	3,771,697
	9,373,018	9,189,237	9,527,291

See the accompanying notes to the financial statements

Approved by the Board of Directors

_________________ Director _________________ Director

Wellspring Calgary

Statements of Operations

For the years ended December 31, 2012 and 2011

	2012 $	2011 $
Revenue		
Donations	990,477	643,374
Revenue and donations from events	278,400	218,994
Investment income	160,255	154,873
Provincial grants	86,030	32,249
Donated securities (note 3(e))	34,180	-
Recovery of expenses	32,244	58,730
Amortization of deferred contributions	26,600	26,600
Net (loss) gain on sale of investments	(248,452)	1,844
	1,359,734	1,136,664
Expenses		
Programs (note 10)	647,203	559,003
Fundraising	332,663	270,162
Administration	150,727	166,579
Event expenses	141,080	97,332
Amortization	41,673	59,654
	1,313,346	1,152,730
Excess (deficiency) of revenue over expenses	46,388	(16,066)
Unrealized gain (loss) on portfolio investments	299,553	(535,405)
Excess (deficiency) of revenue over expenses	345,941	(551,471)

See the accompanying notes to the financial statements

Wellspring Calgary

Statements of Changes in Net Assets

For the years ended December 31, 2012 and 2011

					2012	2011
	Unrestricted **$**	**Internally restricted** **$**	**Restricted for endowment purposes** **$**	**Internally restricted net investment in capital assets** **$**	**Total** **$**	**Total** **$**
Net assets – Beginning of year	(353,196)	600,000	1,619,593	1,354,829	3,221,226	3,771,697
Excess (deficiency) of revenue over expenses	345,941	-	-	-	345,941	(551,471)
Endowment contributions	-	-	1,000	-	1,000	1,000
Purchase of capital assets	(8,702)	-	-	8,702	-	-
Amortization of capital assets	41,673	-	-	(41,673)	-	-
Amortization of deferred contributions	(26,600)	-	-	26,600	-	-
Net assets – End of year	(884)	600,000	1,620,593	1,348,458	3,568,167	3,221,226

See the accompanying notes to the financial statements

Wellspring Calgary

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	345,941	(551,471)
Items not involving cash		
Realized loss (gain) on sale of investments	248,452	(1,844)
Amortization of capital assets	41,673	59,654
Amortization of deferred contributions	(26,600)	(26,600)
Donated securities	(34,180)	-
Unrealized (gain) loss on investments	(299,553)	535,405
	275,733	15,144
Net change in non-cash working capital (note 14)	(107,445)	196,498
	168,288	211,642
Financing activities		
Contribution for endowments	1,000	1,000
Investing activities		
Purchase of capital assets	(8,702)	(24,894)
Purchase of investments	(6,598,587)	(3,637,297)
Proceeds from sale of investments	6,117,623	3,576,755
	(489,666)	(85,436)
(Decrease) increase in cash and cash equivalents	(320,378)	127,206
Cash and cash equivalents – Beginning of year	905,020	777,814
Cash and cash equivalents – End of year	584,642	905,020
Cash and cash equivalents is represented by		
Cash	514,450	474,840
Cash held with investment managers	70,192	316,786
Money market instruments	-	113,394
	584,642	905,020
Supplemental information		
Cash from interest income	93,627	63,271

See the accompanying notes to the financial statements

1 Purpose of 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 Canada Corporation Act on February 16, 2006 and is a registered charity under the Income Tax Act.

2 Adoption of new accounting framework

During the year, the Organization elected to adopt Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board and set out in Part III of the CICA Handbook. The date of transition to the new standards is January 1, 2011 and the Organization has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the Organization's accounting under the new standards and the accounting policies as set out in note 3 have been consistently applied to all years presented. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The Organization has elected to recognize its portfolio bonds at fair value. There were no adjustments to the previously reported statement of financial position as of January 1, 2011 or the statements of financial position, statements of operations, changes in net assets and cash flows for the year ended December 31, 2011.

3 Significant accounting policies

The Organization's accounting and reporting policies conform to Canadian accounting standards for not-for-profit organizations 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. 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	45-100
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.

d) Donations-in-kind

Volunteers contributed 9,956 hours assisting the Organization (2011 – 8,817 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 materials received during the year and recorded in the financial statements is $374 (2011 – $7,614), which is the stated fair value on the date the materials were received.

e) Donated securities

Donated securities received during the year and recorded in the financial statements is $34,180 (2011 – $nil), which is the stated fair value on the date securities were received.

f) Cash and cash equivalents

Cash and cash equivalents include deposits held with banks and money market instruments that are highly liquid, have a maturity of less than 90 days and are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

g) Allocation of expenses

The Organization allocates its costs to three functional areas: programs, fundraising, and administration. Fundraising event expenses are allocated 100% directly to fundraising expenses. General costs are allocated to the functional areas based on employee time spent in each area.

h) 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 3(i). The financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

i) Investments

Portfolio bonds and equities that are traded in the open market are measured at fair value. Pooled investments are measured at cost.

j) 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.

k) Comparative figures

Certain of the comparative balances have been reclassified to conform with the current year's presentation.

4 Capital assets

			2012	2011
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Land	1,300,154	-	1,300,154	1,300,154
Building	1,373,109	102,815	1,270,294	1,298,642
Furniture and equipment	44,309	35,778	8,531	15,303
Computer hardware	25,891	21,821	4,070	1,921
Computer software	28,634	28,634	-	-
	2,772,097	189,048	2,583,049	2,616,020

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

5 Investments

	2012 $	2011 $
Portfolio funds		
Canadian equities	840,303	2,742,050
U.S. equities	673,403	718,350
Bonds	1,449,208	2,129,976
	2,962,914	5,590,376
Pooled funds		
Canadian equities	1,124,589	-
U.S. equities	313,154	-
Bonds	1,365,121	-
Long/short income fund	390,843	-
	3,193,707	-
	6,156,621	5,590,376

All investments are externally managed by investment advisors. Portfolio bonds and equities are traded in open markets and measured at fair value. Pooled bonds, equities and long/short income funds are measured at cost.

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.

6 Deferred donations and provincial grants

	2012 $	2011 $
Deferred donations	79,465	72,500
Casino proceeds	25,869	68,647
Provincial grants	-	56,600
	105,334	197,747

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 and provincial grants are for specified expenditures and are recognized in income when the expenditures are incurred.

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.

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

Year of expiry	Amount of restricted contribution $
2016	2,416,000
2017	544,385
2018	467,109
2020	1,000,000
	4,427,494

8 Deferred contribution – Carma house

The deferred contribution consists of the appraised value of Carma House contributed by Carma Developers LP (now 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 Internally restricted and endowed net assets

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

During 2012 an endowment in the amount of $1,000 (2011 – $1,000) was received. The Endowment fund investment income of $49,060 (2011 – $46,752) is recognized as revenue.

10 Related party transactions

The Organization paid $23,109 (2011 – $18,879) in program instruction costs and consulting fees to three of its directors. These costs are measured at agreed upon amounts and are recorded in program expenses.

11 Fundraising

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

	2012 $	2011 $
Remuneration to employees whose principal duties involve fundraising	135,624	113,084

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

12 Allocation of expenses

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

	2012 $	2011 $
Program	132,520	109,195
Administration	13,930	11,289
	146,450	120,484

13 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, 2012, there were no amounts outstanding and payable to government authorities (December 31, 2011 – $nil).

14 Net change in non-cash working capital

	2012 $	2011 $
Accounts receivable	24,721	(21,677)
Prepaid and deposits	4,394	(20,842)
Accounts payable and accrued liabilities	(44,147)	64,239
Deferred donations and provincial grants	(92,413)	174,778
	(107,445)	196,498

15 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 April 2013 to March 2023 and have market yields varying from approximately 2% to 5.96%. The Organization engages investment advisors to manage the investment portfolio in accordance with the Organization's board approved investment guidelines.

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 investment managers for the long-term investments and whose performance is routinely assessed by the Organization's Investment Committee.