Wellspring Calgary

Financial Statements
December 31, 2015

May 7, 2016

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, 2015 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.

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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, 2015 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, 2015

	2015 $	2014 $
Assets		
Current assets		
Cash and cash equivalents	275,309	338,621
Short-term investments (note 4)	232,194	1,626,016
Interest, receivables and other	156,603	48,657
	664,106	2,013,294
Capital assets (note 3)	2,508,421	2,527,697
Investments (note 4)	8,937,405	7,490,733
	12,109,932	12,031,724
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	47,923	44,363
Deferred donations (note 5)	348,312	378,133
Ten year gifts (note 6)	2,416,000	-
	2,812,235	422,496
Deferred contributions		
Deferred donations (note 5)	131,190	262,381
Ten year gifts (note 6)	2,011,494	4,427,494
Carma House (note 7)	1,154,883	1,181,483
	6,109,802	6,293,854
Net assets		
Endowments (note 8)	1,627,343	1,622,593
Internally restricted for investment in capital assets	1,353,835	1,346,306
Internally restricted (note 8)	600,000	600,000
Unrestricted	2,418,952	2,168,971
	6,000,130	5,737,870
	12,109,932	12,031,724

Subsequent event (note 15)

See the accompanying notes to the financial statements

Approved by the Board of Directors

S A Woodward Director David C Nairne Director

Wellspring Calgary

Statement of Operations

For the year ended December 31, 2015

	2015 $	2014 $
Revenue		
Donations (note 5)	794,382	2,141,087
Investment income	293,484	256,695
Revenue and donations from events	398,352	147,345
Recovery of expenses	33,219	29,003
Amortization of deferred contributions	26,600	26,600
Donated securities (note 2(e))	-	11,750
	1,546,037	2,612,480
Expenses		
Programs (note 9)	1,050,083	908,527
Fundraising (note 10)	189,255	204,693
Event expenses	86,263	67,833
Administration	208,368	194,250
Amortization	38,438	36,327
	1,572,407	1,411,630
(Deficiency) excess of revenue over expenses before other income	(26,370)	1,200,850
Other income		
Net realized gain on sale of investments	279,824	292,362
Unrealized (loss) gain on portfolio investments	(203,688)	92,371
Unrealized gain on foreign exchange	207,744	72,738
	283,880	457,471
Excess of revenue over expenses	257,510	1,658,321

See the accompanying notes to the financial statements

Wellspring Calgary

Statement of Changes in Net Assets

For the year ended December 31, 2015

					2015	2014
	Unrestricted $	Internally restricted $	Restricted for endowment purposes $	Internally restricted net investment in capital assets $	Total $	Total $
Net assets – Beginning of year	2,168,971	600,000	1,622,593	1,346,306	5,737,870	4,078,549
Excess of revenue over expenses	257,510	-	-	-	257,510	1,658,321
Endowment contributions	-	-	4,750	-	4,750	1,000
Purchase of capital assets	(19,367)	-	-	19,367	-	-
Amortization of capital assets	38,438	-	-	(38,438)	-	-
Amortization of deferred contributions	(26,600)	-	-	26,600	-	-
Net assets – End of year	2,418,952	600,000	1,627,343	1,353,835	6,000,130	5,737,870

See the accompanying notes to the financial statements

Wellspring Calgary

Statement of Cash Flows

For the year ended December 31, 2015

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	257,510	1,658,321
Items not involving cash		
Amortization of capital assets	38,438	36,327
Amortization of deferred contributions	(26,600)	(26,600)
Net realized gain on sale of investments	(279,824)	(292,362)
Unrealized loss (gain) on portfolio investments	203,688	(92,371)
Unrealized gain on foreign exchange	(207,744)	(72,738)
Donated securities	-	(11,750)
	(14,532)	1,198,827
Net change in non-cash working capital (note 13)	2,150,602	433,251
Cash provided by (used in) operating activities	2,136,070	1,632,078
Financing activities		
Endowment contributions	4,750	1,000
Ten year gifts (note 6)	(2,416,000)	-
Cash provided by (used in) financing activities	(2,411,250)	1,000
Investing activities		
Purchase of capital assets	(19,367)	(7,521)
Purchase of short-term investments	-	(1,626,016)
Proceeds from sale of short-term investments	1,393,822	-
Purchase of investments	(4,951,736)	(2,693,935)
Proceeds from sale of investments	3,789,149	2,632,040
Cash provided by (used in) investing activities	211,868	(1,695,432)
Decrease in cash and cash equivalents	(63,312)	(62,354)
Cash and cash equivalents – Beginning of year	338,621	400,975
Cash and cash equivalents – End of year	275,309	338,621
Cash and cash equivalents is represented by		
Cash	141,180	235,895
Cash held with investment managers	134,129	102,726
	275,309	338,621

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.

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 the assets no longer have long-term service potential to the Organization, the excess of their net carrying amount over the expected residual value is written off in the statement of operations.

d) Donations-in-kind

Volunteers contributed 9,594 hours assisting the Organization (2014 – 9,164 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 $963 (2014 – $1,280), which is the stated fair value on the date the materials were received by the Organization.

e) Donated securities

Donated securities are stated at fair value on the date securities were received by the Organization. The amounts received during the year and recorded in the financial statements were $nil (2014 – $11,750).

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 value 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 impairment has occurred, the amount of the investment is reduced to the recoverable amount and an impairment loss is 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 yearend rates of exchange.

3 Capital assets

			2015	2014
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Land	1,300,154	-	1,300,154	1,300,154
Building	1,373,109	187,859	1,185,250	1,213,598
Furniture and equipment	72,854	52,540	20,314	9,594
Computer hardware	19,003	16,300	2,703	4,351
Computer software	28,634	28,634	-	-
	2,793,754	285,333	2,508,421	2,527,697

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.

4 Investments

	2015 $	2014 $
Portfolio funds		
Canadian equities	1,322,035	1,086,394
International equities	1,453,366	1,093,073
Bonds	1,726,750	1,625,610
	4,502,151	3,805,077
Pooled funds		
Canadian equities	1,499,518	1,126,268
International equities	791,403	579,767
Bonds	2,144,333	1,777,701
Long/short equity fund	-	201,920
	4,435,254	3,685,656
	8,937,405	7,490,733

Short-term investments of $232,194 (2014 – $1,626,016) are invested in highly liquid bank financial instruments until either required for current operations or assigned to the investment advisors to manage according to the Organization's approved investment guidelines. During the year, $1,000,000 of short-term investments were allocated to long-term investments.

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, 2015 was $4,537,395 (2014 – $3,492,074).

5 Deferred donations

	2015 $	2014 $
Balance – Beginning of the year	640,514	233,103
Restricted donations received in year	315,593	769,824
Casino proceeds	-	76,375
	956,107	1,079,302
Used for programs in year	(476,605)	(438,788)
	479,502	640,514
Less: Current portion	(348,312)	(378,133)
Balance – End of year	131,190	262,381

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.

Included in current year's donations revenue of $794,382 is $476,605 in restricted donations. For 2014, donations revenue of $2,141,087 included $438,788 in restricted donations.

6 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.

	2015 $	2014 $
Amount of restricted contributions	4,427,494	4,427,494
Less: Current portion	(2,416,000)	-
	2,011,494	4,427,494

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

Year of expiry	Amount of restricted contributions $
2017	544,385
2018	467,109
2020	1,000,000
	2,011,494

7 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.

8 Endowed and internally restricted net assets

During 2015, an endowment in the amount of $4,750 (2014 – $1,000) was received. Endowment fund investment income of $75,502 (2014 – $61,752) is recognized as revenue.

Amounts restricted for investment in capital assets represents the net amount of capital assets less deferred contributions – Carma House.

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

9 Related party transactions

The Organization paid $2,903 (2014 – $2,926) in program instruction costs to one of its directors. These costs are measured at agreed upon amounts and are recorded in program expenses.

10 Fundraising

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

	2015 $	2014 $
Remuneration to employees whose principal duties involve fundraising	114,572	122,957

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

11 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.

	2015 $	2014 $
Program	221,092	181,121
Administration	7,026	8,148
	228,118	189,269

12 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, 2015, there were no amounts outstanding and payable to government authorities (2014 – $nil).

13 Net change in non-cash working capital

	2015 $	2014 $
Interest, receivables and other	(107,946)	7,447
Accounts payable and accrued liabilities	3,560	18,393
Deferred donations (note 5)	(161,012)	407,411
Ten year gifts (note 6)	2,416,000	-
	2,150,602	433,251

14 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 June 2019 to December 2045 and have market yields varying from approximately 0.75% to 5.96%. The Organization engages investment advisors to manage the investment portfolio in accordance with the Organization's board approved investment guidelines.

Short term investments mature in July 2016 and are subject to fluctuations in bank interest rates and currently have a yield of 0.50%.

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.

15 Subsequent event

Subsequent to December 31, 2015, the Organization received a donation of $2 million restricted to use for future development of a second location.