Wellspring Calgary

Financial Statements
December 31, 2017

April 30, 2018

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, 2017 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.

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

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Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Wellspring Calgary as at December 31, 2017 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, 2017

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents	1,722,241	686,497
Short-term investments (note 3)	4,050,500	4,000,000
Interest, receivables and land deposit	211,606	219,595
	5,984,347	4,906,092
Capital assets (note 4)	2,602,883	2,544,938
Investments (note 5)	7,465,315	8,756,451
	16,052,545	16,207,481
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	62,754	88,838
Deferred donations (note 6)	198,313	472,153
Ten year gifts (note 7)	467,109	544,385
	728,176	1,105,376
Deferred contributions		
Deferred donations (note 6)	9,103	14,564
Ten year gifts (note 7)	1,000,000	1,467,109
Carma House (note 8)	1,101,683	1,128,283
Randy O'Dell House donation (note 9)	4,000,000	4,000,000
	6,838,962	7,715,332
Net assets (note 10)		
Endowments	1,630,039	1,628,539
Internally restricted for investment in capital assets	1,488,754	1,400,568
Internally restricted	600,000	600,000
Unrestricted	5,494,790	4,863,042
	9,213,583	8,492,149
	16,052,545	16,207,481

Commitments (note 17)

See the accompanying notes to the financial statements

Approved by the Board of Directors

G. Woodward Director

David Dawie Director

Wellspring Calgary

Statement of Operations

For the year ended December 31, 2017

	2017 $	2016 $
Revenue		
Donations (notes 6 and 12)	1,163,308	846,285
Revenue and donations from events	570,241	405,404
Investment income	286,204	311,804
Donated securities (note 2e)	15,369	55,535
Provincial grant	12,500	52,761
Recovery of expenses	4,813	27,591
Amortization of deferred contributions	30,240	28,420
	2,082,675	1,727,800
Expenses		
Programs	1,490,782	1,243,560
Fundraising	274,989	236,895
Growth campaign (note 12)	179,919	85,892
Administration	169,462	193,613
Events	52,638	52,350
Amortization	57,825	45,837
	2,225,615	1,858,147
Deficiency of revenue over expenses before other items	(142,940)	(130,347)
Other items		
Realized ten year gifts (note 7)	544,385	2,416,000
Net realized gain on sale of investments	333,821	117,793
Unrealized gain on segregated investments	69,699	126,541
Unrealized loss on foreign exchange	(85,031)	(39,164)
	862,874	2,621,170
Excess of revenue over expenses	719,934	2,490,823

Wellspring Calgary

Statement of Changes in Net Assets

For the year ended December 31, 2017

	2017					2016
	Unrestricted $	**Internally restricted** $	**Restricted for endowment purposes** $	**Internally restricted net investment in capital assets** $	**Total** $	**Total** $
Net assets – Beginning of year	4,863,042	600,000	1,628,539	1,400,568	8,492,149	6,000,130
Excess of revenue over expenses	719,934	-	-	-	719,934	2,490,823
Endowment contributions	-	-	1,500	-	1,500	1,196
Purchase of capital assets	(115,771)	-	-	115,771	-	-
Amortization of capital assets	57,825	-	-	(57,825)	-	-
Amortization of deferred contributions	(30,240)	-	-	30,240	-	-
Net assets – End of year	5,494,790	600,000	1,630,039	1,488,754	9,213,583	8,492,149

See the accompanying notes to the financial statements

Wellspring Calgary
Statement of Cash Flows
For the year ended December 31, 2017

	2017 $	2016 $
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	719,934	2,490,823
Items not involving cash:		
Amortization of capital assets	57,825	45,837
Amortization of deferred contributions	(30,240)	(28,420)
Net realized gain on sale of investments	(333,821)	(117,793)
Unrealized gain segregated portfolio investments	(69,699)	(126,541)
Unrealized loss on foreign exchange	85,031	39,164
	429,030	2,303,070
Net change in non-cash working capital (note 15)	(838,141)	(2,447,246)
Cash used in operating activities	(409,111)	(144,176)
Financing activities		
Randy O' Dell House donation	-	4,000,000
Endowment contributions	1,500	1,196
Cash provided by financing activities	1,500	4,001,196
Investing activities		
Purchase of short-term investments	(50,500)	(4,000,000)
Proceeds from sale of short-term investments	-	232,194
Purchase of capital assets	(115,771)	(64,150)
Purchase of investments	(3,064,851)	(4,263,905)
Proceeds from sale of investments	4,674,477	4,650,029
Cash provided by (used in) investing activities	1,443,355	(3,445,832)
Increase in cash and cash equivalents	1,035,744	411,188
Cash and cash equivalents – Beginning of year	686,497	275,309
Cash and cash equivalents – End of year	1,722,241	686,497
Cash and cash equivalents is represented by:		
Cash	1,606,896	549,154
Cash held with investment managers	115,345	137,343
	1,722,241	686,497

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 cancer-related information; education for health care professionals; and periodic 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 currently operates out of two locations, Carma House and Fountain Court. Upon completion of Randy O'Dell House, Fountain Court programs and operations will be relocated to the new centre.

2 Summary of 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 revenue and expenditure 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 12,676 hours assisting the Organization (2016 – 10,895 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 supplies and equipment received during the year and recorded in the financial statements are $2,090 (2016 – $18,800), which is the stated fair value on the date the supplies and equipment are 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 are $15,369 and all are recognized in revenue (2016 – $55,535 in revenue, $50,000 in deferred donations and $1,196 in endowments).

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 2j). The financial assets subsequently measured at amortized cost include cash and cash equivalents, short-term investments, and interest, receivables and land deposit. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

j) Investments

Segregated 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 permanent 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 $4,050,500 (2016 – $4,000,000) are invested in highly liquid bank financial instruments, until required for the design and construction of Randy O'Dell House, as described in note 9.

4 Capital assets

			2017	2016
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Land	1,300,154	-	1,300,154	1,300,154
Building	1,373,109	244,555	1,128,554	1,156,902
Development costs	96,118	-	96,118	-
Furniture and equipment	148,980	84,711	64,269	67,173
Computer hardware	38,354	24,566	13,788	20,709
Computer software	24,322	24,322	-	-
	2,981,037	378,154	2,602,883	2,544,938

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.

Development costs include architect and permit fees related to Randy O'Dell House (note 9). Amortization of development costs will commence once the new centre is fully constructed and operational.

5 Investments

	2017 $	2016 $
Segregated funds		
Canadian equities	1,266,112	1,457,297
International equities	1,443,734	1,284,240
Bonds	1,237,129	1,771,725
	3,946,975	4,513,262
Pooled funds		
Canadian equities	1,139,164	1,413,248
International equities	551,146	706,347
Bonds	1,828,030	2,123,594
	3,518,340	4,243,189
	7,465,315	8,756,451

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

In order to earn financial returns at an acceptable level of risk, the investment advisors adhere to guidelines and policies as set out by the Organization. Management of financial risks are outlined in note 16.

Segregated funds are measured at fair value and pooled funds are measured at cost. The fair value of the pooled funds as of December 31, 2017 was $3,810,056 (2016 – $4,442,419).

6 Deferred donations

	Total deferred donations 2017 $	Total deferred donations 2016 $
Balance – Beginning of the year	486,717	479,502
Restricted donations received in year	272,149	536,908
Casino proceeds	-	69,797
	758,866	1,086,207
Used for programs in year	(551,450)	(599,490)
	207,416	486,717
Less: Current portion	(198,313)	(472,153)
Balance – End of year	9,103	14,564

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.

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.

	2017 $	2016 $
Amount of restricted contributions	1,467,109	2,011,494
Less: Current portion	(467,109)	(544,385)
	1,000,000	1,467,109

The remaining contributions of $1,000,000 will become available for general use by the Organization in 2020.

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 annually on a straight-line basis of 2%. 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 June 2019.

9 Deferred contribution – Randy O'Dell House donation

In 2016, the Organization received a restricted donation of $4,000,000 from a donor for the design and construction of Randy O'Dell House. Construction is expected to commence in the next 12 months. The deferred contribution will be amortized into revenue at the same amortization rates applied to Randy O'Dell House upon its opening.

10 Endowed and Internally restricted net assets

Endowment fund investment income of $72,744 (2016 – $76,515) 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 internally restricted for the purpose of providing for future years' operating costs.

11 Remuneration for fundraising

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

	2017 $	2016 $
Remuneration to employees whose principal duties involve fundraising	254,342	187,170

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

12 Growth campaign

In 2016, the organization commenced a growth campaign. The campaign is projected to run for two more years and is intended to raise funds to meet growing demands within the community and for the construction and operation of Randy O'Dell House. The goal of the campaign is to raise $12.9 million, of which $5,446,437 has been raised as of December 31, 2017 ($269,712 recorded in current donations revenue, $4,000,000 recorded in Randy O'Dell House donations, and $1,176,725 recorded in unrestricted net assets). In addition, pledges of $2.3 million have been made to date, but have not been recorded in the financial statements.

13 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.

	2017 $	2016 $
Program	433,766	335,929
Fundraising	13,829	7,996
Administration	13,579	7,847
	461,174	351,772

14 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, 2017, there were no amounts outstanding and payable to government authorities (2016 – $nil).

15 Net change in non-cash working capital

	2017 $	2016 $
Interest, receivables and land deposit	7,989	(62,992)
Accounts payable and accrued liabilities	(26,084)	40,915
Deferred donations (note 6)	(275,661)	(9,169)
Ten year gifts (note 7)	(544,385)	(2,416,000)
	(838,141)	(2,447,246)

16 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 March 2018 to April 2043 and have market yields varying from approximately 1.4% to 5.38%. 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 and August 2018 and are subject to fluctuations in bank interest rates and currently have a yield of 1.3% to 1.5%.

b) Liquidity risk

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 of: 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.

17 Commitments

a) Lease

In 2016, the Organization entered into a lease agreement for Fountain Court to provide additional programs. These additional programs will be relocated to Randy O'Dell House upon completion. The lease payments for the next two years are as follows:

	$
2018	153,218
2019	102,145
	255,363

b) Land purchase

Subsequent to year-end, the Organization has finalised the commitment of $895,000 to purchase land for the construction of Randy O'Dell House.

18 Comparative information

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