

Wellspring Calgary

Financial Statements
December 31, 2010

May 25, 2011

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, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 in our audit 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, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Wellspring Calgary
Statement of Financial Position
As at December 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents	777,814	682,871
Accounts receivable	27,667	53,885
Prepaid and deposits	7,635	7,513
	<u>813,116</u>	<u>744,269</u>
Capital assets (note 4)	2,650,872	2,682,982
Investments (note 3)	6,063,303	2,948,686
	<u>9,527,291</u>	<u>6,375,937</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	17,247	15,332
Deferred contribution	22,969	-
	<u>40,216</u>	<u>15,332</u>
Deferred contributions		
Ten year gifts (note 5)	4,427,494	3,427,494
Carma House (note 6)	1,287,884	1,314,483
	<u>5,715,378</u>	<u>4,741,977</u>
	<u>5,755,594</u>	<u>4,757,309</u>
Net assets		
Restricted for endowment purposes (note 7)	1,618,593	-
Internally restricted – net investment in capital assets	1,362,989	1,368,499
Unrestricted	190,115	(349,871)
Internally restricted (note 7)	600,000	600,000
	<u>3,771,697</u>	<u>1,618,628</u>
	<u>9,527,291</u>	<u>6,375,937</u>

See accompanying notes to the financial statements

Approved by the Board of Directors

_____ Director

_____ Director

Wellspring Calgary

Statement of Operations

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Donations	503,935	418,443
Fundraising and events	257,413	239,848
Investment income	148,865	78,732
Provincial Grant	35,451	49,500
Amortization of deferred contribution	26,600	15,517
Donations-in-kind	3,776	3,586
Gift of securities	-	35,174
Realized gain (loss) on sale of investments	31,696	(201,524)
	<hr/> 1,007,736	<hr/> 639,276
Expenses		
Programs	506,066	528,149
Fundraising and events	167,814	150,449
Administration	115,219	87,359
Amortization	41,812	27,545
Legal and audit	25,976	17,687
	<hr/> 856,887	<hr/> 811,189
Excess (deficiency) of revenue over expenses	150,849	(171,913)
Unrealized gain on investments	<hr/> 383,627	<hr/> 816,919
Excess of revenue over expenses	<hr/> 534,476	<hr/> 645,006

See the accompanying notes to the financial statements.

Wellspring Calgary

Statement of Changes in Net Assets

For the year ended December 31, 2010

					2010	2009
	Unrestricted \$	Internally restricted \$	Restricted for endowment purposes \$	Internally restricted – net investment in capital assets \$	Total \$	Total \$
Net assets – Beginning of year	(349,871)	600,000	-	1,368,499	1,618,628	973,622
Excess (deficiency) of revenue over expenses	549,688	-	-	(15,212)	534,476	645,006
Endowment contributions	-	-	1,618,593	-	1,618,593	-
Investments in capital assets	(9,702)	-	-	9,702	-	-
Net assets – End of the year	190,115	600,000	1,618,593	1,362,989	3,771,697	1,618,628

See accompanying notes to the financial statements

Wellspring Calgary

Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	534,476	645,006
Items not involving cash		
Realized gain (loss) on sale of investments	(31,696)	201,524
Amortization	41,812	27,545
Deferred contribution amortization	(26,600)	(15,517)
Capital asset donated in kind	(1,654)	-
Donated securities	-	(35,174)
Unrealized gain on investments	(383,627)	(816,919)
	<hr/>	<hr/>
	132,711	6,465
Net change in non-cash working capital (note 11)	50,980	49,161
	<hr/>	<hr/>
	183,691	55,626
Financing activities		
Contribution for ten year gifts	1,000,000	-
Contributions for endowment	1,618,593	-
	<hr/>	<hr/>
	2,618,593	-
Investing activities		
Purchase of capital assets	(8,048)	(23,298)
Purchase of investments	(4,016,734)	(1,504,505)
Proceeds from sale of investments	1,317,441	1,007,641
	<hr/>	<hr/>
	(2,707,341)	(520,162)
Increase (decrease) in cash and cash equivalents	94,943	(464,536)
Cash and cash equivalents – Beginning of year	682,871	1,147,407
	<hr/>	<hr/>
Cash and cash equivalents – End of year	777,814	682,871
	<hr/>	<hr/>
Cash and cash equivalents is represented by		
Cash	366,644	216,048
Money market instruments	411,170	466,823
	<hr/>	<hr/>
	777,814	682,871
	<hr/>	<hr/>

See accompanying notes to the financial statements

Wellspring Calgary

Notes to Financial Statements

December 31, 2010

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 Significant accounting policies

The Organization's accounting and reporting policies conform to Canadian generally accepted accounting principles for not-for-profit organizations and include the following:

a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 donations and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations 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) Investments

Held-for-trading investments are recorded at fair value with changes in fair value recorded in investment income as an unrealized gain or loss on investments. Income earned on held-for-trading bonds is recognized on the accrual basis and recorded in investment income. All transaction costs are expensed in the period incurred.

Wellspring Calgary

Notes to Financial Statements
December 31, 2010

d) 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	25-100
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.

e) Donations-in-kind

Volunteers contributed 9,026 hours assisting the Organization (2009 – 7,585 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.

The fair market value of the donated materials and capital assets received during the year and recorded in the financial statements is \$3,776 (2009 – \$3,586).

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: administration, fundraising and events, and programs. Fundraising expenses are allocated 100% to fundraising expenses. General cost which relate specifically to either functional area is considered administrative and is allocated to the functional areas based on employee time spent in each area.

Wellspring Calgary

Notes to Financial Statements

December 31, 2010

h) Financial instruments

The Organization follows the disclosure requirements of CICA accounting standard 3861 - *Financial Instruments - Disclosure and Presentation*, instead of the expanded rules set out in Sections 3862 and 3863 in keeping with options provided by Handbook Sections 3862.43(c) and 3863.40(c).

The Organization's financial instruments comprise of cash and cash equivalents, accounts receivable, investments, deposits, investment and accounts payable and accrued liabilities. The carrying amounts of these financial instruments approximate their fair value.

The Organization has classified each financial instrument into the following categories:

Category	Financial instrument
Held for trading	Cash and cash equivalents and investments
Loans and receivables	Accounts receivable and deposits
Financial liabilities	Accounts payable and accrued liabilities

The financial instruments must initially be recognized at fair value on the balance sheet. Subsequent measurement of the financial instruments is based on their classification. Financial loans or receivables and other financial liabilities are measured at cost or amortized cost. Held for trading financial instruments are measured at fair value with unrealized gains or losses recognized directly in the statement at revenue over expenditures.

The Organization assesses at each statement of financial position date whether a financial asset is permanently impaired and if there is objective evidence that an impairment loss exists the amount loss is measured as the difference between the carrying amount of the asset and its fair value. The carrying amount of the asset is reduced and the amount of the loss is recognized in investment income. Unless noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments. The carrying amounts of these financial instruments approximate their fair value.

i) Foreign exchange

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

j) Comparative figures

Certain prior year figures have been reclassified to conform to the current year presentation.

Wellspring Calgary
Notes to Financial Statements
December 31, 2010

3 Investments

	2010	2009
	\$	\$
Canadian equities	3,309,389	2,015,242
U.S. equities	960,305	142,859
Bonds	1,793,609	790,585
	<u>6,063,303</u>	<u>2,948,686</u>

In order to earn financial returns at an acceptable level of risk, the Organization has established an asset mix policy of 20% to 80% for fixed income instruments, 0 to 40% for cash and 20% to 80% 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.

Common stock comprises equities publicly traded in the Canadian and U.S. markets. Risk is reduced by limiting exposure to any one stock to 10% of the total market value of the Organization's equity portfolio. These policies notwithstanding, there remains interest-rate, foreign exchange and credit risk in the Organization's investments.

4 Capital assets

	<u>2010</u>		<u>2009</u>	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	1,300,154	-	1,300,154	1,300,154
Building	1,373,109	46,118	1,326,991	1,355,244
Computer hardware	16,974	15,702	1,272	2,406
Computer software	7,333	7,333	-	-
Furniture and equipment	41,024	18,569	22,455	25,178
	<u>2,738,594</u>	<u>87,722</u>	<u>2,650,872</u>	<u>2,682,982</u>

In October 2007, land was purchased on which to build a Wellspring facility. The Organization received a contribution of \$400,000 from Carma Developers LP (Carma) towards the cost of this land. During 2009, Carma contributed an additional \$1,330,000 toward the design and construction of the building known as Carma House that was completed in May 2009.

Wellspring Calgary

Notes to Financial Statements

December 31, 2010

5 Deferred contributions – Ten year gifts

Deferred contribution – 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	<u>1,000,000</u>
	<u>4,427,494</u>

6 Deferred contributions – Carma house

The deferred contributions consist of the appraised value of Carma House for use by Wellspring Calgary, currently and in their future programs and will be amortized at 2% annually. The contribution of Carma House by Carma Developers LP includes a contract stipulation for ten years from 2009 to 2019, of right of first refusal, should Wellspring Calgary decide to sell the building.

7 Restrictions on 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 2010, endowment contributions in the amount of \$1,618,593 (2009 – \$nil) was received. Investment income earned on endowment fund is \$27,157 (2009 – \$nil) and recognized as revenue.

8 Related party transactions

The Organization had a consulting agreement with a Director to provide guidance in the planning and design of the facilities to be used for the Organization's programs. The Director received \$nil (2009 - \$8,542) for the consulting work performed.

In addition, the Organization paid \$12,316 (2009 – \$8,185) for course instructing to some of its directors.

Wellspring Calgary
Notes to Financial Statements
December 31, 2010

9 Fundraising

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

	2010	2009
	\$	\$
Remuneration to employees whose principal duties involve fundraising	53,411	35,881

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

10 Allocation of expenses

The following has been determined to be the allocation of general management and administration expenses for functional areas based on employee time spent in each area.

	2010	2009
	\$	\$
Administration expenditures	18,246	20,982
Program expenditures	62,456	83,928
	80,702	104,910

11 Net change in non-cash working capital

	2010	2009
	\$	\$
Accounts receivable	26,218	(44,468)
Prepaid and deposits	(122)	93,349
Accounts payable and accrued liabilities	1,915	280
Deferred contribution	22,969	-
	50,980	49,161

Wellspring Calgary

Notes to Financial Statements

December 31, 2010

12 Management of capital

The Organization defines its capital as the amounts included in its Net Assets.

The Organization sets the amount of net asset balances in proportion to risk, manages the underlying investments and makes adjustments in light of changing economic conditions and risk characteristics of the underlying investments and assets.

The Organization's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits to Wellspring Calgary and stakeholders.

13 Financial risk management

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 2011 to June 2023 and have market yields varying from approximately 0.100% to 11.6%. The Organization engages investment advisors to manage the investment portfolio in accordance with the Organization's investments board approved guidelines.

The Organization's investment portfolio holds a large portion of equity securities, which are managed by the investment managers and whose performance is routinely assessed by the Organization's Investment Committee. The value of equity securities is subject to changes associated with both general economic conditions and the business performance of the entity that issued the securities. In addition, the general economic condition of the markets that the entities operate in can change and so exposing the Organization to fluctuations in the value of investments.

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.

