Financial Statements of

THE WELLSPRING CANCER SUPPORT FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2019

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Wellspring Cancer Support Foundation

Qualified Opinion

We have audited the financial statements of The Wellspring Cancer Support Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effect of the matter described in the ***"Basis for Qualified Opinion"*** section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2019 and March 31, 2018

- the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended March 31, 2019 and March 31, 2018
- the unrestricted net assets at the beginning and end of the year reported in the statements of changes in net assets for the years ended March 31, 2019 and March 31, 2018
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2019 and March 31, 2018.

Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 7, 2019

THE WELLSPRING CANCER SUPPORT FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 573,735	$ 212,726
Short-term investments (note 2)	2,763,119	2,985,157
Accounts receivable (note 3)	143,074	184,781
Prepaid expenses and deposits	51,934	162,067
	3,531,862	3,544,731
Investments (note 4):		
Long-term investments	1,220,497	1,100,517
Endowment fund (note 4)	422,430	397,430
	1,642,927	1,497,947
Capital assets (note 5)	4,164,743	4,491,141
	$ 9,339,532	$ 9,533,819
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued charges (note 6)	$ 889,042	$ 502,387
Deferred revenue (note 7)	197,274	636,734
	1,086,316	1,139,121
Deferred contributions (note 8)	3,616,125	3,900,421
Net assets:		
Restricted (note 9)	1,660,466	1,635,466
Invested in capital assets	548,618	590,720
Unrestricted	2,428,007	2,268,091
	4,637,091	4,494,277
Commitments (note 10)		
	$ 9,339,532	$ 9,533,819

See accompanying notes to financial statements.

On behalf of the Board:

Chiara Borrelli Director C. Borrelli 02/07/19

Director C. McMorrow 10/07/19

THE WELLSPRING CANCER SUPPORT FOUNDATION

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Special events (note 11)	$ 2,881,246	$ 1,590,586
Donations (note 8)	1,455,230	2,299,808
Amortization of deferred contributions (note 8)	284,796	289,430
Sublease and other	194,961	42,850
Investment	144,949	260,508
Unrealized gain on investments	96,719	–
Social enterprise	85,475	24,625
	5,143,376	4,507,807
Expenses:		
Program (note 6)	2,504,576	2,684,703
Special events	927,838	552,788
Fundraising	607,885	738,458
Administration	603,800	735,714
Amortization	356,748	358,027
Public awareness	24,715	10,703
Unrealized loss on investments	–	72,052
	5,025,562	5,152,445
Excess (deficiency) of revenue over expenses	$ 117,814	$ (644,638)

See accompanying notes to financial statements.

THE WELLSPRING CANCER SUPPORT FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

				2019	2018
	Restricted (note 9)	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 1,635,466	$ 590,720	$ 2,268,091	$ 4,494,277	$ 5,113,915
Excess (deficiency) of revenue over expenses	–	(71,952)	189,766	117,814	(644,638)
Additions to endowments	25,000	–	–	25,000	25,000
Additions to capital assets, net of loss on disposal	–	29,850	(29,850)	–	–
Net assets, end of year	$ 1,660,466	$ 548,618	$ 2,428,007	$ 4,637,091	$ 4,494,277

See accompanying notes to financial statements.

THE WELLSPRING CANCER SUPPORT FOUNDATION
Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

		2019		2018
Cash provided by (used in):				
Operating activities:				
Excess (deficiency) of revenue over expenses	$	117,814	$	(644,638)
Items not involving cash:				
Amortization of deferred contributions		(284,796)		(289,430)
Amortization		356,748		358,027
Loss on disposal of capital assets		–		11,933
Deferred contribution redesignated as donation revenue		–		(492,497)
Unrealized gain on investments		(96,719)		(38,333)
		93,047		(1,094,938)
Change in non-cash operating working capital:				
Accounts receivable		41,707		(78,692)
Prepaid expenses and deposits		110,133		(107,698)
Accounts payable and accrued charges		386,655		(248,875)
Deferred revenue		(439,460)		362,428
		192,082		(1,167,775)
Financing activities:				
Repayment of deferred contributions		–		(461,583)
Deferred contributions received		500		60,000
Endowments received		25,000		25,000
		25,500		(376,583)
Investing activities:				
Decrease in short-term investments, net		222,038		355,158
Decrease (increase) in long-term investments, net		(23,261)		1,437,112
Increase in endowment fund		(25,000)		(25,000)
Additions to capital assets		(30,350)		(151,062)
		143,427		1,616,208
Increase in cash		361,009		71,850
Cash, beginning of year		212,726		140,876
Cash, end of year	$	573,735	$	212,726

See accompanying notes to financial statements.

The Wellspring Cancer Support Foundation ("Wellspring") was founded on May 1, 1992 for the purpose of providing: support programs and services for people and their 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. Wellspring was previously incorporated, without share capital, under the Canada Corporations Act on January 19, 1996, is a registered charity and, therefore, exempt from income taxes under the Income Tax Act (Canada). Wellspring was continued under the Canada Not-for-profit Corporations Act in October 2014.

From its inception in 1992 until December 1999, Wellspring provided its programs and services from one location, namely its facility at 81 Wellesley Street East in Toronto. In December 1999, Wellspring opened a new facility on the campus of Sunnybrook & Women's College Health Sciences Centre (now called Wellspring Westerkirk House at Sunnybrook) and, in July 2000, another in Oakville, Ontario (now called Wellspring Birmingham Gilgan House), to serve the regions of Halton and Peel.

Substantial expansion and renovation projects were completed at Wellspring Westerkirk House (2010) and Wellspring Birmingham Gilgan House (2012) and the original Wellspring centre at 81 Wellesley Street East was sold in 2011, with downtown operations and programs relocated to 4 Charles Street East, also in downtown Toronto, in 2012.

There are four affiliated Wellspring Centres, one in London, Ontario, one in Thorold, Ontario, one in Calgary, Alberta and the Wellspring Chinguacousy Foundation ("Wellspring Chinguacousy") location in Brampton. All are separately incorporated and separately governed. On February 1, 2015, Wellspring assumed management of Wellspring Chinguacousy. As at January 31, 2018, the management agreement between Wellspring and Wellspring Chinguacousy expired in accordance with the terms of the agreement and the operations of Wellspring Chinguacousy continued under separate management and a separate Board.

Wellspring receives no core government funding.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

Wellspring follows the deferral method of accounting for contributions. Restricted donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized as revenue when received.

1. **Significant accounting policies (continued):**

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for related capital assets. Endowment contributions are recognized as direct increases in net assets.

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

Pledges are recognized when money is received.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. Wellspring has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Wellspring determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Wellspring expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to Wellspring's ability to provide services, its carrying amount is written down to its residual value.

1. Significant accounting policies (continued):

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	10 - 25 years

Artwork is not amortized.

(d) Donated materials and services:

Wellspring recognizes the contribution of materials at fair value when it can be reasonably estimated, when it is used in the normal course of operations and would have been otherwise purchased. Because of the difficulty in determining the fair value, contributed services and volunteer time is not recognized in the financial statements.

(e) Use of estimates:

The preparation of Wellspring's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Short-term investments:

	2019	2018
Money market funds	$ 14,792	$ 41,617
Short-term bond fund	2,748,327	2,943,540
	$ 2,763,119	$ 2,985,157

3. Accounts receivable:

Accounts receivable is net of provision for doubtful debt of $10,000 (2017 - nil).

4. Investments:

In 2014, the finance committee proposed and the Board of Directors adopted an investment policy allowing for a portion of the deferred capital to be invested in a long-term capital fund managed by Jarislowsky Fraser Ltd.

	2019	2018
Canadian Equity Fund	$ 549,698	$ 502,652
Global Equity Fund	1,093,229	995,295
	$ 1,642,927	$ 1,497,947

Endowment funds of $422,430 (2018 - $397,430) are invested in long-term investments.

5. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and equipment	$ 405,160	$ 356,808	$ 48,352	$ 64,670
Computer hardware	278,946	258,926	20,020	25,133
Leasehold improvements	6,362,611	2,455,259	3,907,352	4,212,319
Artwork	189,019	–	189,019	189,019
	$ 7,235,736	$ 3,070,993	$ 4,164,743	$ 4,491,141

6. Severance:

Included in accounts payable and accrued charges are $38,000 (2018 - nil) in severance accruals relating to individuals who will be paid out agreed amounts that will end on September 24, 2019. Total severance expenses included in program expenses amounted to $215,008.

7. Deferred revenue:

		2019		2018
Balance, beginning of year	$	636,734	$	274,306
Contributions received:				
Wellspring Henderson Hoedown		–		332,500
Peloton Challenge		26,795		51,361
Other		186,473		252,873
Amounts recognized as revenue:				
Wellspring Henderson Hoedown		(332,500)		–
Peloton Challenge		(51,361)		(48,015)
Other		(268,867)		(226,291)
Balance, end of year	$	197,274	$	636,734

8. Deferred contributions:

Deferred contributions represent contributions and donations in-kind for the buildings and other projects. The changes in the deferred contributions balance for the year are as follows:

	2018	Additions	Amortization	Recognized as revenue (included in donations)	2019
Capital:					
Downtown Toronto	$ 40,163	$ –	$ (13,874)	$ –	$ 26,289
Westerkirk House	1,981,273	–	(157,340)	–	1,823,933
Birmingham Gilgan House	1,849,678	–	(94,452)	–	1,755,226
Trillium Capital Grant	12,526	500	(13,026)	–	–
Other	16,781	–	(6,104)	–	10,677
	$ 3,900,421	$ 500	$ (284,796)	$ –	$ 3,616,125

As at January 31, 2018, the management agreement between Wellspring and the Wellspring Chinguacousy expired in accordance with the terms of the agreement and the operations of Wellspring Chinguacousy continued under separate management and a separate Board. Wellspring transferred $461,583 of the remaining deferred contributions to Wellspring Chinguacousy.

9. Restricted net assets:

	2019	2018
Externally restricted for endowment	$ 422,430	$ 397,430
Internally restricted	1,238,036	1,238,036
	$ 1,660,466	$ 1,635,466

Internally restricted net assets have been designated by the Board of Directors to be used for working capital purposes. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

10. Commitments:

Wellspring leases office space under an operating lease expiring in 2023. Future minimum lease payments under these leases are as follows:

Year ending March 31:	
2020	$ 173,300
2021	165,700
2022	165,700
2023	82,800
	$ 587,500

Wellspring leases premises for nominal fees under long-term leases for the operations of two of its centres. The Westerkirk House lease expires in 2029 and the Birmingham Gilgan House lease in 2019 with the option to extend the terms of both leases.

11. Special events:

Wellspring's major signature event, Wellspring Henderson Hoedown, is normally held every two years and was held in fiscal 2018 - 2019. This event occurred on April 19, 2018.

12. Financial risks:

(a) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of Wellspring's investments are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase (decrease) in the excess (deficiency) of revenue over expenses.

(b) Credit risk:

Credit risk arises as a result of the possibility that one party to a financial instrument will fail to discharge an obligation and cause Wellspring to incur financial loss. Wellspring manages this risk by diversifying its portfolio and by dealing with reputable and creditworthy counterparties.

(c) Interest rate risk:

Wellspring is exposed to interest rate risk on its fixed interest rate financial instruments. The value of fixed income funds will generally rise if interest rates rise and decrease if interest rates fall. Changes in interest may also affect the value of equity securities. The interest rate risk exposure is managed through the Board of Directors-approved policy of allocation of investable assets.

There have been no changes to risk exposures from 2018.