
THE WELLSPRING FOUNDATION FOR EDUCATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

Independent Auditors' Report

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Statement 2 - Operations and Changes in Net Assets

Statement 3 - Cash Flows

Notes to Financial Statements



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2014 April 12

INDEPENDENT AUDITORS' REPORT

To the Members of
The Wellspring Foundation for Education

We have audited the accompanying financial statements of The Wellspring Foundation for Education which comprise the statement of financial position as at December 31, 2013 and the statement of operations and changes in net assets, and statement of cash flows for the year then ended, and 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 our 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, we consider 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.

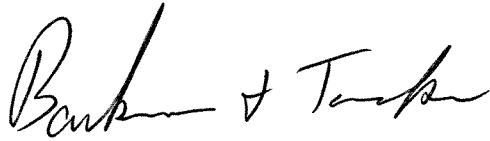
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Wellspring Foundation for Education as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Society Act of British Columbia

As required by the Society Act of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



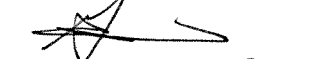
Chartered Accountants

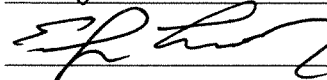
THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	General Fund	Project Fund	2013 Total	2012 Total
ASSETS				
CURRENT				
Cash and cash equivalents	\$ 5,337	\$ 853,651	\$ 858,988	\$ 783,515
Accounts receivable (Note 3)	5,011	316	5,327	5,140
Government grants	--	27,543	27,543	--
Prepaid expenses	--	11,086	11,086	23,213
	10,348	892,596	902,944	811,868
PROPERTY, PLANT AND EQUIPMENT (Note 4)	3,202	433,641	436,843	265,310
	\$ 13,550	\$1,326,237	\$1,339,787	\$1,077,178
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 5,248	\$ 18,822	\$ 24,070	\$ 28,949
NET ASSETS - Statement 2				
Internally restricted (Note 5)	3,202	987,014	990,216	571,713
Externally restricted (Note 5)	--	320,401	320,401	469,354
Unrestricted	5,100	--	5,100	7,162
	8,302	1,307,415	1,315,717	1,048,229
	\$ 13,550	\$1,326,237	\$1,339,787	\$1,077,178

COMMITMENT (Note 6)

Approved by the Board:


 _____ Director


 _____ Director

THE WELLSPRING FOUNDATION FOR EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Project Fund	2013 Total	2012 Total
REVENUE				
Donations	\$ 995,036	\$ 216,588	\$1,211,624	\$1,175,495
Government grants (Note 3)	--	463,479	463,479	159,171
Interest income	--	6,461	6,461	5,109
	<u>995,036</u>	<u>686,528</u>	<u>1,681,564</u>	<u>1,339,775</u>
EXPENSES				
Program development	--	619,493	619,493	415,637
Salaries and benefits	155,999	165,434	321,433	236,469
Fund raising:				
- Event expenses	92,838	--	92,838	22,889
- Salary & contractor expense	87,113	--	87,113	93,361
- Promotion	31,176	--	31,176	10,215
Amortization	530	70,449	70,979	41,215
Operations and administration	--	40,048	40,048	38,839
Office and miscellaneous	30,173	--	30,173	36,666
Bank charges	15,108	--	15,108	12,307
Travel	12,236	17,458	29,694	22,605
Infrastructure	--	29,144	29,144	276,222
Rent	27,818	--	27,818	7,270
Vehicle expenses	--	15,167	15,167	6,168
Staff training	8,488	--	8,488	6,326
Professional fees	3,765	3,764	7,529	6,858
Foreign exchange loss (gain)	(7,524)	--	(7,524)	190
	<u>457,720</u>	<u>960,957</u>	<u>1,418,677</u>	<u>1,233,237</u>
NET REVENUE (EXPENDITURES)				
BEFORE THE UNDERNOTED	537,316	(274,429)	262,887	106,538
Gain on sale of property, plant and equipment	--	4,601	4,601	--
NET REVENUE (EXPENDITURES)	537,316	(269,828)	267,488	106,538
NET ASSETS, BEGINNING OF YEAR				
	7,162	1,041,067	1,048,229	941,691
Interfund transfers	(536,176)	536,176	--	--
NET ASSETS, END OF YEAR	<u>\$ 8,302</u>	<u>\$1,307,415</u>	<u>\$1,315,717</u>	<u>\$1,048,229</u>

THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Project Fund	2013 Total	2012 Total
CASH PROVIDED BY (APPLIED TO):				
OPERATING ACTIVITIES				
Net Revenue (Expenditures)	\$537,316	\$(269,828)	\$267,488	\$106,538
Item not involving cash:				
- Amortization	530	70,449	70,979	41,215
	537,846	(199,379)	338,467	147,753
Change in non-cash working capital	5,377	(25,859)	(20,482)	(5,667)
	543,223	(225,238)	317,985	142,086
FINANCING ACTIVITIES				
Interfund transfers	(536,176)	536,176	--	--
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,732)	(238,780)	(242,512)	(274,776)
CHANGE IN CASH	3,315	72,158	75,473	(132,690)
CASH, BEGINNING OF YEAR	2,022	781,493	783,515	916,205
CASH, END OF YEAR	\$ 5,337	\$853,651	\$858,988	\$783,515



THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. OPERATIONS

The Wellspring Foundation for Education was established on May 27, 2003 and incorporated under the Society Act of the Province of British Columbia. It is a not-for-profit organization whose mandate is to build schools and train teachers in Rwanda and Burundi, Africa.

The Foundation is a registered charity under the Income Tax Act of Canada and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund is an operating fund and accounts for the Foundation's general activities.

The Project Fund is a restricted fund which accounts for school development and teacher training in Rwanda, Africa.

(b) Revenue Recognition

Contributions and government grants are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income, including dividend and interest, is recognized as revenue when earned.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and guaranteed investment certificates with maturity dates of less than 90 days from the date that they were acquired.



THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are amortized on the straight-line method on the following basis:

Office equipment	5 years
Computer equipment	3 years
Equipment	5 years
Vehicles	5 years

(e) Financial Instruments

(i) Measurement

The Foundation initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs attributable to the instrument.

The Foundation subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Transaction costs

The transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with financial instruments measured at amortized cost are capitalized and are included in the acquisition costs or deducted against proceeds on disposal.

(iii) Impairment

When there is an indication of an impairment in value and the impairment is determined to have occurred, the carrying amount of a financial asset measured at amortized cost is reduced to the greater of the discounted future expected cash flow or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value of the financial asset subsequently improves. Impairment adjustments are recognized in net income.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Foreign Currency Transactions

The Foundation uses the temporal method to translate its foreign currency transactions. Under this method, monetary balance sheet items are translated at the exchange rates in effect at year-end and non-monetary items are translated at historical exchange rates. Revenue and expenses are translated at the exchange rates in effect on the transaction dates or at the average exchange rates of the period. Translation gains and losses are included in the statement of operations.

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment. Actual results could differ from these estimates.

(h) Contributed Services

The Foundation recognizes gifts and services in kind at prevailing market rates if the amounts can be reasonably estimated.

Volunteers contribute hundreds of hours per year to assist the Foundation in carrying out its various activities. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

3. GOVERNMENT GRANTS

The Foundation received government grants from the Canadian government through the Canadian International Development Agency (CIDA) and the British and Rwandan governments through the Innovation for Education Fund (IFE) as follows:

- a) Between August 2012 and October 2014, CIDA provided funding of \$482,602 for the Foundation's Rwanda School Development Program. They received \$186,336 in 2013 (2012 - \$159,171).

At year end, the Foundation's receivable from CIDA was \$7,335 (2012 - \$Nil).

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

3. GOVERNMENT GRANTS (Cont'd)

- b) Between January 2013 to April 2015, IFE will provide funding of \$496,425 (£270,000) for the Foundation's Rwanda School Development Program. They received \$277,143 (2012 - \$Nil) in 2013.

At year end, the Foundation's receivable from IFE was \$20,208 (2012 - \$Nil).

At the conclusion of the government grants, any unused amounts of these grants will be refunded to their respective governmental bodies.

4. PROPERTY, PLANT AND EQUIPMENT

	2013		2012	
	Cost	Accum. Amort.	Cost	Accum. Amort.
<u>General Fund</u>				
Office equipment	\$ --	\$ --	\$ 4,291	\$ 4,291
Computer equipment	10,654	7,452	2,630	2,630
	<u>\$ 10,654</u>	<u>\$ 7,452</u>	<u>\$ 6,921</u>	<u>\$ 6,921</u>
Net Book Value		\$ 3,202		\$ --
<u>Project Fund</u>				
Land	\$196,831	\$ --	\$ 47,878	\$ --
Building under construction	10,206	--	10,206	--
Equipment	48,428	46,982	48,427	46,012
Vehicles	366,668	142,807	292,320	87,509
Computer equipment	10,747	9,450	9,332	9,332
	<u>\$632,880</u>	<u>\$199,239</u>	<u>\$408,163</u>	<u>\$142,853</u>
Net Book Value		\$433,641		\$265,310
Total Net Book Value		\$436,843		\$265,310

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

5. RESTRICTED NET ASSETS

a) Internally restricted	General Fund	Project Fund	2013	2012
Property, plant and equipment	\$ 3,202	\$433,641	\$436,843	\$265,310
School development program in Africa	--	553,373	553,373	306,403
	<u>\$ 3,202</u>	<u>\$987,014</u>	<u>\$990,216</u>	<u>\$571,713</u>

b) Externally restricted – Project Fund	2013	2012
Rwandan guest house and training centre		
Beginning balance	\$469,354	\$526,530
Rwandan guest house and training centre	--	908
Land purchase	(148,953)	(47,878)
Building under construction	--	(10,206)
<u>Ending balance</u>	<u>\$320,401</u>	<u>\$469,354</u>

6. COMMITMENT

In 2013, the Foundation entered into a 3 year lease agreement for the use of its Canadian office premises. The payments for the next two years are as follows:

2014	\$ 26,400
2015	22,000
	<u>\$ 48,400</u>

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

7. FINANCIAL RISKS

The Foundation is exposed to various risks through its financial instruments. The following provides a measure of the Foundation's risk exposure as at December 31, 2013.

There has been no significant change to the risk exposure from the previous year.

Liquidity risk:

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with liabilities. The Foundation's ability to meet obligations depends on the receipt of donations from its donors and funding from various government agencies. The Foundation controls liquidity risk by managing its working capital and cash flows.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is exposed to currency risk.

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year-end, the Foundation had \$145,070 (2012 - \$91,741) denominated in \$US currency and \$35,716 (2012 - \$15,318) denominated in Rwandan francs.

Consequently, certain assets are subject to foreign exchange fluctuations.

8. ALLOCATION OF ADMINISTRATION COSTS

The Foundation has adopted the requirements of the CICA Handbook Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, which establishes standards for disclosing information about costs allocated between functions.

The Foundation allocates costs not directly attributable to a fund, based upon an estimate of time spent for each fund.