
THE WELLSPRING FOUNDATION FOR EDUCATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Independent Auditors' Report

Statement 1 – Financial Position

Statement 2 – Operations and Changes in Net Assets

Statement 3 – Cash Flows

Notes to Financial Statements

2017 April 22

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, 2016 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.

Auditors' 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.

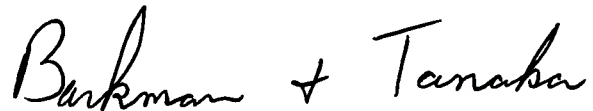
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies 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.



A handwritten signature in black ink that reads "Barkman & Tanaka". The signature is written in a cursive, flowing style.**Chartered Professional Accountants**

THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	General Fund	Project Fund	2016 Total	2015 Total
ASSETS				
CURRENT				
Cash and cash equivalents	\$ 118	\$ 1,069,281	\$ 1,069,399	\$ 1,303,783
Accounts receivable	--	15,056	15,056	--
GST receivable	8,994	--	8,994	1,552
Prepaid expenses	8,896	35,670	44,566	31,101
	18,008	1,120,007	1,138,015	1,336,436
PROPERTY, PLANT AND EQUIPMENT (Note 3)	3,323	358,425	361,748	390,639
	<u>\$ 21,331</u>	<u>\$ 1,478,432</u>	<u>\$ 1,499,763</u>	<u>\$ 1,727,075</u>
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 12,230	\$ 23,851	\$ 36,081	\$ 45,493
NET ASSETS – Statement 2				
Internally restricted (Note 4)	3,323	1,188,352	1,191,675	1,311,403
Externally restricted (Note 4)	--	266,229	266,229	360,273
Unrestricted	5,778	--	5,778	9,906
	9,101	1,454,581	1,463,682	1,681,582
	<u>\$ 21,331</u>	<u>\$ 1,478,432</u>	<u>\$ 1,499,763</u>	<u>\$ 1,727,075</u>

COMMITMENT (Note 6)
SUBSEQUENT EVENT (Note 8)

Approved by the Board:

 Director
 Director

THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Project Fund	2016 Total	2015 Total
REVENUE				
Donations:				
- General	\$ 1,576,909	\$ 186,946	\$ 1,763,855	\$ 2,131,265
- Donations in kind (Note 5)	44,456	--	44,456	18,516
Interest income	--	2,719	2,719	4,028
British government grants	--	--	--	3,988
	<u>1,621,365</u>	<u>189,665</u>	<u>1,811,030</u>	<u>2,157,797</u>
EXPENSES				
Program development	--	834,572	834,572	830,290
Salaries and benefits	151,908	260,244	412,152	376,047
Fund raising:				
- Salary & subcontractor expense	229,931	--	229,931	199,269
- Event expenses	121,643	--	121,643	121,847
- Promotion	38,732	--	38,732	24,845
Rent	27,060	63,543	90,603	92,455
Amortization	2,290	70,327	72,617	78,480
Operations and administration	--	66,911	66,911	77,331
Travel	16,601	35,713	52,314	38,632
Office and miscellaneous	34,739	--	34,739	34,193
Professional fees	16,468	5,075	21,543	17,287
Foreign exchange loss (gain)	20,123	--	20,123	(36,770)
Staff training	16,510	--	16,510	15,586
Bank charges	16,452	--	16,452	14,027
Vehicle expense	--	11,859	11,859	5,766
Infrastructure	--	1,055	1,055	1,831
	<u>692,457</u>	<u>1,349,299</u>	<u>2,041,756</u>	<u>1,891,116</u>
NET REVENUE (EXPENDITURES)				
BEFORE THE UNDERNOTED	928,908	(1,159,634)	(230,726)	266,681
<u>Gain on sale of property, plant and equipment</u>	--	12,826	12,826	--
NET REVENUE (EXPENDITURES)				
FOR THE YEAR	928,908	(1,146,808)	(217,900)	266,681
NET ASSETS, BEGINNING OF YEAR				
Interfund transfers	13,657	1,667,925	1,681,582	1,414,901
	<u>(933,464)</u>	<u>933,464</u>	<u>--</u>	<u>--</u>
NET ASSETS, END OF YEAR	<u>\$ 9,101</u>	<u>\$ 1,454,581</u>	<u>\$ 1,463,682</u>	<u>\$ 1,681,582</u>

THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Project Fund	2016 Total	2015 Total
CASH PROVIDED BY (APPLIED TO):				
OPERATING ACTIVITIES				
Net revenue (expenditures) for the year	\$ 928,908	\$ (1,146,808)	\$ (217,900)	\$ 266,681
Items not involving cash:				
- Amortization	2,290	70,327	72,617	78,480
- Donations in kind	(44,456)	--	(44,456)	(18,516)
- Gain on sale of property, plant and equipment	--	(12,826)	(12,826)	--
	886,742	(1,089,307)	(202,565)	326,645
<u>Change in non-cash working capital</u>	9,416	(49,053)	(39,637)	30,578
	896,158	(1,138,360)	(242,202)	357,223
FINANCING ACTIVITIES				
<u>Interfund transfers</u>	(933,464)	933,464	--	--
INVESTING ACTIVITIES				
Proceeds on sale of donations in kind	38,718	--	38,718	13,024
Proceeds on sale of property, plant and equipment	--	26,075	26,075	--
<u>Purchase of property, plant and equipment</u>	(1,862)	(55,113)	(56,975)	(37,376)
	36,856	(29,038)	7,818	(24,352)
CHANGE IN CASH	(450)	(233,934)	(234,384)	332,871
CASH, BEGINNING OF YEAR	568	1,303,215	1,303,783	970,912
CASH, END OF YEAR	\$ 118	\$ 1,069,281	\$ 1,069,399	\$ 1,303,783

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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. The Foundation was transitioned to the Societies Act of British Columbia in 2016. It is a not-for-profit organization whose mandate is to build schools and train teachers in Rwanda, 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 were 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 accounts for the Foundation's general and administrative activities and reports unrestricted funds.

The Project Fund accounts for school development and teacher training programs 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 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, 2016

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:

Computer equipment	3 years
Equipment	5 years
Vehicles	5 years

Buildings under construction are not amortized until the construction is complete and available for use.

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

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 the statement of operations.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 and accrued liabilities. 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.

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. PROPERTY, PLANT AND EQUIPMENT

	2016		2015	
	Cost	Accum. Amort.	Cost	Accum. Amort.
General Fund				
Computer equipment	\$ 16,666	\$ 13,343	\$ 14,804	\$ 11,053
Net Book Value		\$ 3,323		\$ 3,751
Project Fund				
Land	\$ 201,334	\$ --	\$ 201,334	\$ --
Building under construction *	94,225	--	41,387	--
Computer equipment	14,077	12,208	11,800	10,744
Equipment	51,980	49,494	51,980	48,783
Vehicles	389,991	331,480	418,287	278,373
	\$ 751,607	\$ 393,182	\$ 724,788	\$ 337,900
Net Book Value		\$ 358,425		\$ 386,888
Total Net Book Value		\$ 361,748		\$ 390,639

* The Foundation commenced building a centre for education in Rwanda during 2015. During the year, this project was halted due to a dispute with the Government of Rwanda. (Note 8)

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4. RESTRICTED NET ASSETS

a) Internally restricted

	General Fund	Project Fund	2016	2015
Property, plant and equipment	\$ 3,323	\$ 67,327	\$ 70,650	\$ 303,034
School development program in Africa	--	1,121,025	1,121,025	1,008,369
	<u>\$ 3,323</u>	<u>\$ 1,188,352</u>	<u>\$ 1,191,675</u>	<u>\$ 1,311,403</u>

b) Externally restricted

	General Fund	Project Fund	2016	2015
Rwandan centre for education				
Beginning balance	\$ --	\$ 284,717	\$ 284,717	\$ 314,652
Building in progress	--	(52,838)	(52,838)	(29,935)
Ending balance	--	231,879	231,879	284,717
Other	--	34,350	34,350	75,556
	<u>\$ --</u>	<u>\$ 266,229</u>	<u>\$ 266,229</u>	<u>\$ 360,273</u>

5. DONATIONS IN KIND

During the year, the Foundation received shares of publicly traded companies. These donations in kind were valued at fair market value based on the price of the shares at the dates of transfer.

6. COMMITMENT

The Foundation has leased Canadian office space until October 2017. The minimum lease payments for the next year are \$22,000.

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016.

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.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

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 only 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 cash balances of \$313,447 (2015 – \$414,122) denominated in \$US, \$29,712 (2015 – \$48,106) denominated in Rwandan francs, and \$Nil (2015 – \$1,558) denominated in Burundian francs. Consequently, certain assets are subject to foreign exchange fluctuations.

8. SUBSEQUENT EVENT

During the year, the Foundation initiated a lawsuit against the Government of Rwanda over their rights to construct a building on property owned by the Foundation.

Subsequent to year-end, the lawsuit between the parties was settled by an exchange of land whereby the Foundation received a parcel of land equal to, or greater than, the value of the land and development costs incurred to date. A formal valuation of the property was not available at the date of the Auditors' report and a gain, if any, on the transaction was not determinable.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

9. SOCIETIES ACT OF BRITISH COLUMBIA

In accordance with the Societies Act of British Columbia, the Foundation is required to provide the total number of employees and/or contractors, including corporations, whose annual remuneration is greater than \$75,000.

In 2016, there were three (3) employees and/or contractors whose annual remuneration met this criteria in the amount of \$276,978 (2015 – four (4) employees and/or contractors – \$332,786).

10. ALLOCATION OF ADMINISTRATION COSTS

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

11. STATEMENT PRESENTATION

Certain of the prior year's comparative figures have been reclassified in order to conform to the current year's financial statement presentation.