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**THE WELLSPRING FOUNDATION FOR EDUCATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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Independent Auditors' Report

Statement 1 – Financial Position

Statement 2 – Operations and Changes in Net Assets

Statement 3 – Cash Flows

Notes to Financial Statements

2016 April 16

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## INDEPENDENT AUDITORS' REPORT

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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, 2015 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.

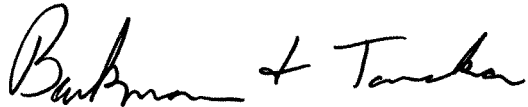
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2015, 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.


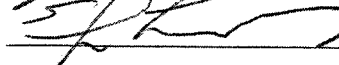
A handwritten signature in black ink, reading "Barkman & Tanaka". The signature is written in a cursive, flowing style.**Chartered Professional Accountants**

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

	General Fund	Project Fund	2015 Total	2014 Total
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and cash equivalents	\$ 568	\$1,303,215	\$1,303,783	\$ 970,912
Accounts receivable	1,552	--	1,552	3,774
Government grants (Note 3)	--	--	--	37,385
Prepaid expenses	13,036	18,065	31,101	24,457
	15,156	1,321,280	1,336,436	1,036,528
<b>PROPERTY, PLANT AND EQUIPMENT (Note 4)</b>	3,751	386,888	390,639	431,743
	\$ 18,907	\$1,708,168	\$1,727,075	\$1,468,271
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 5,250	\$ 40,243	\$ 45,493	\$ 53,370
<b>NET ASSETS - Statement 2</b>				
Internally restricted (Note 5)	3,751	1,348,652	1,352,403	1,071,805
Externally restricted (Note 5)	--	319,273	319,273	354,243
Unrestricted	9,906	--	9,906	(11,147)
	13,657	1,667,925	1,681,582	1,414,901
	\$ 18,907	\$1,708,168	\$1,727,075	\$1,468,271

**COMMITMENT (Note 6)**

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, 2015**

	General Fund	Project Fund	2015 Total	2014 Total
<b>REVENUE</b>				
Donations:				
- General	\$ 1,742,237	\$ 389,028	\$2,131,265	\$1,557,741
- Donations in kind	18,516	--	18,516	20,395
Canadian government grants	--	--	--	132,350
British government grants (Note 3)	--	3,988	3,988	162,202
Interest income	--	4,028	4,028	4,444
	1,760,753	397,044	2,157,797	1,877,132
<b>EXPENSES</b>				
Program development	--	830,290	830,290	727,340
Salaries and benefits	118,769	257,278	376,047	404,281
Fund raising:				
- Event expenses	121,847	--	121,847	113,032
- Salary & subcontractor expense	199,269	--	199,269	181,321
- Promotion	24,845	--	24,845	33,051
Operations and administration	--	137,826	137,826	61,527
Amortization	1,919	76,561	78,480	84,432
Travel	14,757	23,875	38,632	56,154
Office and miscellaneous	34,193	--	34,193	40,463
Rent	27,060	4,900	31,960	33,179
Professional fees	12,212	5,075	17,287	19,665
Staff training	15,586	--	15,586	11,812
Bank charges	14,027	--	14,027	16,563
Vehicle expense	--	5,766	5,766	12,465
Infrastructure	--	1,831	1,831	5,735
Foreign exchange loss (gain)	(36,770)	--	(36,770)	(5,370)
	547,714	1,343,402	1,891,116	1,795,650
<b>NET REVENUE (EXPENDITURES)</b>				
<b>BEFORE THE UNDERNOTED</b>	1,213,039	(946,358)	266,681	81,482
Gain on sale of property, plant and equipment	--	--	--	17,702
<b>NET REVENUE (EXPENDITURES)</b>				
<b>FOR THE YEAR</b>	1,213,039	(946,358)	266,681	99,184
<b>NET ASSETS, BEGINNING OF YEAR</b>				
Interfund transfers	(8,312)	1,423,213	1,414,901	1,315,717
	(1,191,070)	1,191,070	--	--
<b>NET ASSETS, END OF YEAR</b>				
	\$ 13,657	\$1,667,925	\$1,681,582	\$1,414,901

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Project Fund	2015 Total	2014 Total
<b>CASH PROVIDED BY (APPLIED TO):</b>				
<b>OPERATING ACTIVITIES</b>				
Net revenue (expenditures) for the year	\$ 1,213,039	\$ (946,358)	\$ 266,681	\$ 99,184
Item not involving cash:				
- Amortization	1,919	76,561	78,480	84,432
- Donations in kind	(18,516)	--	(18,516)	(20,395)
- Gain on sale of property, plant and equipment	--	--	--	(17,702)
	1,196,442	(869,797)	326,645	145,519
<u>Change in non-cash working capital</u>	<u>(15,145)</u>	<u>45,723</u>	<u>30,578</u>	<u>7,640</u>
	1,181,297	(824,074)	357,223	153,159
<b>FINANCING ACTIVITIES</b>				
<u>Interfund transfers</u>	<u>(1,191,070)</u>	<u>1,191,070</u>	<u>--</u>	<u>--</u>
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of marketable securities	13,024	--	13,024	20,395
Proceeds on sale of property, plant and equipment	--	--	--	17,702
<u>Purchase of property, plant and equipment</u>	<u>(2,835)</u>	<u>(34,541)</u>	<u>(37,376)</u>	<u>(79,332)</u>
	10,189	(34,541)	(24,352)	(41,235)
<b>CHANGE IN CASH</b>	416	332,455	332,871	111,924
<b>CASH, BEGINNING OF YEAR</b>	152	970,760	970,912	858,988
<b>CASH, END OF YEAR</b>	\$ 568	\$1,303,215	\$1,303,783	\$970,912

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**1. OPERATIONS**

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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, Africa.

The Foundation's operations in Burundi, Africa were closed during the year due to political instability.

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

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**2. SIGNIFICANT ACCOUNTING POLICIES**

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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 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 and Burundi, 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 WELLSRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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(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. Transactions 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, 2015**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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(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.

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**3. GOVERNMENT GRANTS**

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During the year, the Foundation received government grants of \$3,988 (2014 - \$162,202 from the British government through the Innovation for Education Fund (IfE).

At year end, the Foundation's receivable from the Canadian government was \$Nil (2014 - \$19,385) and from IfE was \$Nil (2014 - \$18,000).

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**4. PROPERTY, PLANT AND EQUIPMENT**

	2015		2014	
	Cost	Accum. Amort.	Cost	Accum. Amort.
<b>General Fund</b>				
Computer equipment	\$ 14,804	\$ 11,053	\$ 11,969	\$ 9,134
<b>Net Book Value</b>		<b>3,751</b>		<b>2,835</b>
<b>Project Fund</b>				
Land	201,334	--	201,334	--
Building under construction *	41,387	--	11,452	--
Computer equipment	11,800	10,744	10,747	9,922
Equipment	51,980	48,783	48,428	48,109
Vehicles	418,287	278,373	418,287	203,309
	<b>724,788</b>	<b>337,900</b>	<b>690,248</b>	<b>261,340</b>
<b>Net Book Value</b>		<b>386,888</b>		<b>428,908</b>
<b>Total Net Book Value</b>		<b>\$390,639</b>		<b>\$431,743</b>

\* The Foundation has started to build a centre for education in Rwanda. The project contemplates three phases of development with the first phase being completed in 2016. The budget for all three phases is \$1,824,000.

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**5. RESTRICTED NET ASSETS**

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a) Internally restricted

	General Fund	Project Fund	2015	2014
Property, plant and equipment	\$3,751	\$ 299,283	\$ 303,034	\$ 598,499
School development program in Africa	--	1,049,369	1,049,369	473,306
	<u>\$3,751</u>	<u>\$1,348,652</u>	<u>\$1,352,403</u>	<u>\$1,071,805</u>

b) Externally restricted

	General Fund	Project Fund	2015	2014
Abundant Leadership	\$ --	\$ --	\$ --	\$ 39,591
Other	--	34,556	34,556	--
Rwandan guest house and training centre				
Beginning balance	--	314,652	314,652	320,401
Land purchase	--	--	--	(5,749)
Building in progress	--	(29,935)	(29,935)	--
Ending balance	<u>--</u>	<u>284,717</u>	<u>284,717</u>	<u>314,652</u>
	<u>\$ --</u>	<u>\$ 319,273</u>	<u>\$ 319,273</u>	<u>\$ 354,243</u>

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**6. COMMITMENT**

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In 2015, the Foundation entered into a two (2) year lease agreement, ending October 2017, for the use of its Canadian office premises. The annual rent payments are \$26,400 for 2016 and \$22,000 for 2017.

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**7. FINANCIAL RISKS**

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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, 2015.

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

**THE WELLSPRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**7. FINANCIAL RISKS (Cont'd)**

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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 \$414,122 (2014 – \$136,138) denominated in \$US, \$48,106 (2014 – \$23,816) denominated in Rwandan francs, and \$1,558 (2014 – \$1,015) denominated in Burundian francs. Consequently, certain assets are subject to foreign exchange fluctuations.

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**8. ALLOCATION OF ADMINISTRATION COSTS**

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

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**9. STATEMENT PRESENTATION**

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