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**THE WELLSPRING FOUNDATION FOR EDUCATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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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

2018 May 9

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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, 2017 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.

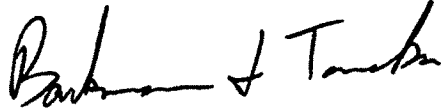
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2017, 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.

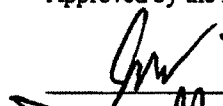
**Chartered Professional Accountants**

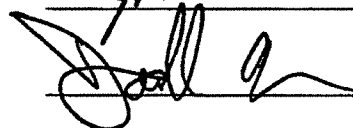
**THE WELLSRING FOUNDATION FOR EDUCATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

	Operating Fund	Restricted Fund	2017 Total	2016 Total
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and cash equivalents	\$ 547,690	\$ 335,499	\$ 883,189	\$ 1,069,399
Accounts receivable	--	--	--	15,056
GST recoverable	10,304	--	10,304	8,994
Prepaid expenses	36,660	23,681	60,341	44,566
	594,654	359,180	953,834	1,138,015
<b>PROPERTY, PLANT AND EQUIPMENT (Note 3)</b>	--	1,134,946	1,134,946	361,748
	\$ 594,654	\$ 1,494,126	\$ 2,088,780	\$ 1,499,763
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 58,424	\$ --	\$ 58,424	\$ 36,081
<b>NET ASSETS – Statement 2</b>				
Internally restricted (Note 4)	--	1,243,789	1,243,789	1,191,675
Externally restricted (Note 4)	--	250,337	250,337	266,229
Unrestricted	536,230	--	536,230	5,778
	536,230	1,494,126	2,030,356	1,463,682
	\$ 594,654	\$ 1,494,126	\$ 2,088,780	\$ 1,499,763

**COMMITMENT (Note 7)**

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, 2017**

	Operating Fund	Restricted Fund	2017 Total	2016 Total
<b>REVENUE</b>				
Donations:				
– General	\$ 2,129,233	\$ 93,664	\$ 2,222,897	\$ 1,763,855
– Donations in kind (Note 5)	28,905	--	28,905	44,456
Interest income	2,382	--	2,382	2,719
	<u>2,160,520</u>	<u>93,664</u>	<u>2,254,184</u>	<u>1,811,030</u>
<b>EXPENSES</b>				
International operations:				
– Programs	1,592,202	34,375	1,626,577	1,204,761
– Facilities	62,088	--	62,088	63,543
– Amortization	--	43,529	43,529	70,327
– Foreign exchange loss	31,999	--	31,999	20,123
– Support	11,673	--	11,673	10,669
Support operations:				
– Fundraising	335,505	37,934	373,439	406,514
– Administration	241,224	--	241,224	236,469
– Rent	37,260	--	37,260	27,060
– Amortization	--	3,172	3,172	2,290
	<u>2,311,951</u>	<u>119,010</u>	<u>2,430,961</u>	<u>2,041,756</u>
<b>NET REVENUE (EXPENDITURES)</b>				
<b>BEFORE THE UNDERNOTED</b>	(151,431)	(25,346)	(176,777)	(230,726)
Gain on sale of property, plant and equipment	--	--	--	12,826
Gain on transfer of property, plant and equipment (Note 6)	--	743,451	743,451	--
<b>NET REVENUE (EXPENDITURES)</b>				
<b>FOR THE YEAR</b>	<u>(151,431)</u>	<u>718,105</u>	<u>566,674</u>	<u>(217,900)</u>
Net assets, beginning of year, as previously stated	9,101	1,454,581	1,463,682	1,681,582
Prior period adjustment (Note 11)	749,263	(749,263)	--	--
<b>NET ASSETS, BEGINNING OF YEAR,</b>				
<b>as restated</b>	<u>758,364</u>	<u>705,318</u>	<u>1,463,682</u>	<u>1,681,582</u>
Interfund transfers	(70,703)	70,703	--	--
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 536,230</u>	<u>\$ 1,494,126</u>	<u>\$ 2,030,356</u>	<u>\$ 1,463,682</u>

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Restricted Fund	2017 Total	2016 Total
<b>CASH PROVIDED BY (APPLIED TO):</b>				
<b>OPERATING ACTIVITIES</b>				
Net revenue (expenditures) for the year	\$ (151,431)	\$ 718,105	\$ 566,674	\$ (217,900)
Items not involving cash:				
- Amortization	--	46,701	46,701	72,617
- Donations in kind	(28,905)	--	(28,905)	(44,456)
- Gain on sale of property, plant and equipment	--	(743,451)	(743,451)	(12,826)
	(180,336)	21,355	(158,981)	(202,565)
<u>Change in non-cash working capital</u>	<u>17,121</u>	<u>3,194</u>	<u>20,315</u>	<u>(39,637)</u>
	(163,215)	24,549	(138,666)	(242,202)
<b>FINANCING ACTIVITIES</b>				
Prior period adjustment	749,263	(749,263)	--	--
<u>Interfund transfers</u>	<u>(70,703)</u>	<u>70,703</u>	<u>--</u>	<u>--</u>
	678,560	(678,560)	--	--
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of donations in kind	28,905	--	28,905	38,718
Proceeds on sale of property, plant and equipment	3,322	--	3,322	26,075
<u>Purchase of property, plant and equipment</u>	<u>--</u>	<u>(79,771)</u>	<u>(79,771)</u>	<u>(56,975)</u>
	32,227	(79,771)	(47,544)	7,818
<b>CHANGE IN CASH</b>	<b>547,572</b>	<b>(733,782)</b>	<b>(186,210)</b>	<b>(234,384)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>118</b>	<b>1,069,281</b>	<b>1,069,399</b>	<b>1,303,783</b>
<b>CASH, END OF YEAR</b>	<b>\$ 547,690</b>	<b>\$ 335,499</b>	<b>\$ 883,189</b>	<b>\$ 1,069,399</b>

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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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. 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

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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 donations.

The Operating Fund accounts for the Foundation's operating and administrative activities and reports unrestricted funds.

The Restricted Fund accounts for the Foundation's property, plant and equipment and restricted funds.

b) Revenue Recognition

Donations 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 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, 2017**

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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. Transaction costs associated with financial instruments measured at amortized cost are capitalized and are included in the acquisition cost 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, 2017**

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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 amounts 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. Due to 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, 2017**

**3. PROPERTY, PLANT AND EQUIPMENT**

	2017		2016	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Land leasehold	\$ 1,039,011	\$ --	\$ 201,334	\$ --
Building under construction	35,714	--	94,225	--
Computer equipment	36,357	30,526	30,743	25,551
Equipment	51,980	50,678	51,980	49,494
Vehicles	425,112	372,024	389,991	331,480
	<u>\$ 1,588,174</u>	<u>\$ 453,228</u>	<u>\$ 768,273</u>	<u>\$ 406,525</u>
<b>Net Book Value</b>		<b>\$ 1,134,946</b>		<b>\$ 361,748</b>

Under Rwandan law enacted in 2005, all land in the country is owned by the Government of Rwanda. The land held by foreigners is registered as a renewable 20 year leasehold. The Foundation has a land leasehold for the period April 13, 2017 to April 13, 2037.

Management anticipates that they will be able to renew the land leasehold in 2037 under favourable terms consistent with the present land leasehold. There are however, no existing precedents on land leasehold renewals in Rwanda for management to rely upon.

No amortization has been taken on this land leasehold.

**THE WELLSPRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**4. RESTRICTED NET ASSETS**

	2017	2016
<b>a) Internally restricted</b>		
Property, plant and equipment	\$ 1,134,946	\$ 361,748
School development program in Africa	108,843	77,341
	<u>\$ 1,243,789</u>	<u>\$ 439,089</u>
<b>b) Externally restricted</b>		
Rwandan Centre for Education		
Beginning balance	\$ 231,879	\$ 284,717
Building under construction	(35,714)	(52,838)
Ending balance	<u>196,165</u>	<u>231,879</u>
Other	<u>54,172</u>	<u>34,350</u>
	<u>\$ 250,337</u>	<u>\$ 266,229</u>

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**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 date of transfer.

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**6. GAIN ON TRANSFER OF PROPERTY, PLANT AND EQUIPMENT**

During the year, the Foundation settled a dispute with the Government of Rwanda by exchanging a land leasehold controlled by the Foundation in exchange for another land leasehold. The land leasehold was valued by a property valuator certified by the Institute of Real Property Valuers in Rwanda for the amount of \$981,069 (623,455,000 Rwandan Francs).

This non-monetary transaction has been recorded as a sale of the land leasehold with a value of \$981,069. The gain from the exchange of these land leaseholds is \$743,451.

**THE WELLSRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**7. COMMITMENT**

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The Foundation has leased office space and a photocopier in Canada. The minimum lease payments for both leases over the next five years are:

2018	\$ 57,703
2019	57,703
2020	56,787
2021	54,955
2022	41,216
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	\$ 268,364

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**8. 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, 2017.

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 \$120,884 (2016 – \$313,447) denominated in \$US, and \$57,050 (2016 – \$29,712) denominated in Rwandan francs. Consequently, certain assets are subject to foreign exchange fluctuations.

**THE WELLSPRING FOUNDATION FOR EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**9. SOCIETIES ACT OF BRITISH COLUMBIA**

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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 2017, there were four (4) employees and/or contractors whose annual remuneration met this criteria in the amount of \$363,093 (2016 – three (3) employees and/or contractors – \$276,978).

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**10. 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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**11. PRIOR PERIOD ADJUSTMENT**

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During the year, the Foundation changed its classification of certain internally restricted assets, liabilities, revenue and expenses to be consistent with the Foundation's internal policies. This resulted in a restatement of opening fund equity.

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**12. 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.