THE WELLSPRING FOUNDATION FOR EDUCATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Wellspring Foundation for Education

Report on the Financial Statements

Opinion

We have audited the financial statements of The Wellspring Foundation for Education (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT

Auditor's 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 auditor’s 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 these 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 Foundation’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 Foundation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s 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 auditor’s report. However, future events or conditions may cause the Foundation 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.

We 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.

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INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Society's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis, with the previous year.

Manning Elliott LLP

Chartered Professional Accountants
Burnaby, British Columbia
April 6, 2019

THE WELLSPRING FOUNDATION FOR EDUCATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	Operating Fund	Restricted Fund	**2018**	2017
ASSETS				
CURRENT				
Cash and cash equivalents	$ 735,667	$ 215,661	**$ 951,328**	$ 883,189
GST recoverable	10,075	-	**10,075**	10,304
Prepaid expenses	20,839	29,812	**50,651**	60,341
	766,581	245,473	**1,012,054**	953,834
PROPERTY, PLANT AND EQUIPMENT (Note 4)	-	1,135,158	**1,135,158**	1,134,946
	$ 766,581	$ 1,380,631	**$ 2,147,212**	$ 2,088,780
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities	$ 54,745	$ -	**$ 54,745**	$ 58,424
FUND BALANCES				
Internally restricted (Note 5)	-	1,181,751	**1,181,751**	1,243,789
Externally restricted (Note 5)	-	198,880	**198,880**	250,337
Unrestricted	711,836	-	**711,836**	536,230
	711,836	1,380,631	**2,092,467**	2,030,356
	$ 766,581	$ 1,380,631	**$ 2,147,212**	$ 2,088,780

COMMITMENTS (Note 7)

SUBSEQUENT EVENTS (Note 10)

APPROVED BY THE BOARD

______________________________ Director

______________________________ Director

See notes to financial statements

THE WELLSPRING FOUNDATION FOR EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Restricted Fund	**2018**	2017
REVENUE				
Donations:				
General	$ 2,345,794	$ 147,355	**$ 2,493,149**	$ 2,222,897
Donations in kind (Note 6)	34,758	-	**34,758**	28,905
Interest income	2,677	-	**2,677**	2,382
	2,383,229	147,355	**2,530,584**	2,254,184
EXPENSES				
International operations:				
Programs	1,690,059	41,988	**1,732,047**	1,626,577
Facilities	16,556	-	**16,556**	62,088
Amortization	-	17,348	**17,348**	43,529
Foreign exchange (gain) loss	(26,813)	-	**(26,813)**	31,999
Support	16,879	-	**16,879**	11,673
Support operations:				
Fundraising	375,906	62,954	**438,860**	373,439
Administration	254,678	-	**254,678**	241,224
Rent	58,467	-	**58,467**	37,260
Amortization	-	2,509	**2,509**	3,172
	2,385,732	124,799	**2,510,531**	2,430,961
NET REVENUE (EXPENDITURES) FROM OPERATIONS	(2,503)	22,556	**20,053**	(176,777)
OTHER INCOME				
Gain on sale of property, plant and equipment	-	42,058	**42,058**	-
Gain on transfer of property, plant and equipment	-	-	**-**	743,451
	-	42,058	**42,058**	743,451
NET REVENUE (EXPENDITURES)	(2,503)	64,614	**62,111**	566,674
FUND BALANCES - BEGINNING OF YEAR	536,230	1,494,126	**2,030,356**	1,463,682
INTERFUND TRANSFERS	178,109	(178,109)	**-**	-
FUND BALANCES - END OF YEAR	$ 711,836	$ 1,380,631	**$ 2,092,467**	$ 2,030,356

THE WELLSPRING FOUNDATION FOR EDUCATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Restricted Fund	**2018**	2017
OPERATING ACTIVITIES				
Net revenue (expenditures) for the year	$ (2,503)	$ 64,614	**$ 62,111**	$ 566,674
Items not affecting cash:				
Amortization	-	19,857	**19,857**	46,701
Donations in kind	(34,758)	-	**(34,758)**	(28,905)
Gain on sale of property, plant and equipment	-	(42,058)	**(42,058)**	(743,451)
	(37,261)	42,413	**5,152**	(158,981)
Changes in non-cash working capital:				
Accounts receivable	-	-	**-**	15,056
GST recoverable	229	-	**229**	(1,310)
Prepaid expenses	15,821	(6,131)	**9,690**	(15,774)
Accounts payable and accrued liabilities	(3,679)	-	**(3,679)**	22,343
	12,371	(6,131)	**6,240**	20,315
Cash flow from (used by) operating activities	(24,890)	36,282	**11,392**	(138,666)
INVESTING ACTIVITIES				
Proceeds on sale of donations in kind	34,758	-	**34,758**	28,905
Proceeds on sale of property, plant and equipment	-	43,162	**43,162**	3,322
Purchase of property, plant and equipment	-	(21,173)	**(21,173)**	(79,771)
Cash flow from (used by) investing activities	34,758	21,989	**56,747**	(47,544)
FINANCING ACTIVITY				
Interfund transfers	178,109	(178,109)	**-**	-
Cash flow from (used by) financing activity	178,109	(178,109)	**-**	-
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	187,977	(119,838)	**68,139**	(186,210)
Cash and cash equivalents - beginning of year	547,690	335,499	**883,189**	1,069,399
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 735,667	$ 215,661	**$ 951,328**	$ 883,189

See notes to financial statements

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 transitioned to the Societies Act of British Columbia in 2016. The Foundation 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 (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following 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.

Interest 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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments

(i) Measurement

The Foundation's financial instruments consist of cash and cash equivalents and accounts payable.

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.

(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 or 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.

(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.

(continues)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

3. FINANCIAL INSTRUMENTS 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, 2018.

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

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 is exposed to the risk mainly in respect of its accounts payable. The Foundation maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

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.

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 $125,965 (2017 – $120,884) denominated in $US, and $35,170 (2017 – $57,050) denominated in Rwandan francs. Consequently, certain assets are subject to foreign exchange fluctuations. The Foundation controls currency risk by having a portion of its cash in $CAD, $US and Rwandan francs.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to interest rate risk or other price risk arising from these financial instruments.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Land leasehold	$ 1,039,011	$ -	**$ 1,039,011**	$ 1,039,011
Building under construction	56,888	-	**56,888**	35,714
Computer equipment	36,357	34,485	**1,872**	5,831
Equipment	51,980	51,862	**118**	1,302
Vehicles	362,082	324,813	**37,269**	53,088
	$ 1,546,318	$ 411,160	**$ 1,135,158**	$ 1,134,946

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 building under construction was completed subsequent to year-end and will be amortized accordingly.

5. RESTRICTED FUND BALANCES

	2018	2017
Internally restricted		
Property, plant and equipment	**$ 1,135,158**	$ 1,134,946
School development program in Africa	**46,593**	108,843
	1,181,751	1,243,789
Externally restricted		
Wellspring Centre for Education		
Beginning balance	**196,165**	231,879
Building under construction	**(56,888)**	(35,714)
Ending balance	**139,277**	196,165
Net restricted donations	**59,603**	54,172
	$ 198,880	$ 250,337

6. 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.

7. COMMITMENTS

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

2019	$ 57,703
2020	56,787
2021	54,955
2022	41,216
	$ 210,661

8. 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 2018, there were three employees and/or contractors whose annual remuneration met this criteria in the amount of $288,843 (2017 – four employees and/or contractors – $363,093).

9. ALLOCATION OF ADMINISTRATION COSTS

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

10. SUBSEQUENT EVENTS

Subsequent to year-end, the Foundation sold a piece of land in Kigali, Rwanda. The land was sold for proceeds of $854,283 (578,922,500 Rwandan francs), which resulted in a loss of $126,786. The loss is due to the increased value of the land when the land was received in the prior year from a land exchange. The gain from the exchange in the prior year was $743,451. As a result, the net gain of both transactions is $616,665.