
**THE WELLSRING FOUNDATION FOR EDUCATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

INDEPENDENT AUDITORS' 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, 2019, 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, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial statement, which indicates the effect of recent events on the Foundation in March 2020. This recent event, as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the ability of the Foundation to continue as a going concern.

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 ASNPO, 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 related 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.

INDEPENDENT AUDITORS' REPORT

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Manning Elliott LLP

Chartered Professional Accountants
Burnaby, British Columbia
April 4, 2020

THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Operating Fund	Restricted Fund	2019	2018
ASSETS				
CURRENT				
Cash	\$ 517,219	\$ 550,631	\$ 1,067,850	\$ 951,328
GST recoverable	10,584	-	10,584	10,075
Prepaid expenses	46,417	-	46,417	50,651
	574,220	550,631	1,124,851	1,012,054
MARKETABLE SECURITIES	-	614,751	614,751	-
PROPERTY, PLANT AND EQUIPMENT (Note 5)	-	93,396	93,396	1,135,158
	\$ 574,220	\$ 1,258,778	\$ 1,832,998	\$ 2,147,212

LIABILITIES

CURRENT				
Accounts payable and accrued liabilities	\$ 71,953	\$ -	\$ 71,953	\$ 54,745

FUND BALANCES

INTERNALLY				
RESTRICTED (Note 6)	-	708,147	708,147	1,135,158
EXTERNALLY				
RESTRICTED (Note 6)	-	550,631	550,631	245,473
UNRESTRICTED	502,267	-	502,267	711,836
	502,267	1,258,778	1,761,045	2,092,467
	\$ 574,220	\$ 1,258,778	\$ 1,832,998	\$ 2,147,212

GOING CONCERN (Note 2)

COMMITMENTS (Note 8)

APPROVED BY THE BOARD

_____ Director

_____ Director

THE WELLSPRING FOUNDATION FOR EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Restricted Fund	2019	2018
REVENUE				
Donations:				
General	\$ 2,350,027	\$ 153,125	\$ 2,503,152	\$ 2,493,149
Donations in kind <i>(Note 7)</i>	27,585	-	27,585	34,758
Interest income	14,022	-	14,022	2,677
	2,391,634	153,125	2,544,759	2,530,584
EXPENSES				
International operations:				
Programs	1,712,732	51,170	1,763,902	1,732,047
Facilities	-	-	-	16,556
Amortization	-	12,717	12,717	17,348
Foreign exchange loss (gain)	9,440	-	9,440	(26,813)
Support	56,539	-	56,539	16,879
Support operations:				
Fundraising	376,959	76,476	453,435	438,860
Administration	312,054	-	312,054	254,678
Rent	58,757	-	58,757	58,467
Amortization	-	1,395	1,395	2,509
	2,526,481	141,758	2,668,239	2,510,531
NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(134,847)	11,367	(123,480)	20,053
OTHER INCOME (EXPENSES)				
Gain (loss) on sale of property, plant and equipment <i>(Note 5)</i>	-	(159,978)	(159,978)	42,058
Change in fair value of marketable securities	-	30,070	30,070	-
Unrealized foreign exchange loss on marketable securities	-	(21,146)	(21,146)	-
Donations in kind given	-	(56,888)	(56,888)	-
	-	(207,942)	(207,942)	42,058
NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(134,847)	(196,575)	(331,422)	62,111
FUND BALANCES - BEGINNING OF YEAR	711,836	1,380,631	2,092,467	2,030,356
INTERFUND TRANSFERS	(74,722)	74,722	-	-
FUND BALANCES - END OF YEAR	\$ 502,267	\$ 1,258,778	\$ 1,761,045	\$ 2,092,467

THE WELLSRING FOUNDATION FOR EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Restricted Fund	2019	2018
OPERATING ACTIVITIES				
Net excess (deficiency) of revenue over expenses for the year	\$ (134,847)	\$ (196,575)	\$ (331,422)	\$ 62,111
Items not affecting cash:				
Amortization	-	14,112	14,112	19,857
Loss (gain) on sale of property, plant and equipment	-	159,978	159,978	(42,058)
Change in fair value of marketable securities	-	(30,070)	(30,070)	-
Unrealized foreign exchange loss on marketable securities	-	21,146	21,146	-
Donations in kind given	-	56,888	56,888	-
Donations in kind received	(27,585)	-	(27,585)	(34,758)
	(162,432)	25,479	(136,953)	5,152
Changes in non-cash working capital:				
GST recoverable	(509)	-	(509)	229
Prepaid expenses	(25,578)	29,811	4,233	9,690
Accounts payable and accrued liabilities	17,208	-	17,208	(3,679)
	(171,311)	55,290	(116,021)	11,392
INVESTING ACTIVITIES				
Proceeds on sale of property, plant and equipment	-	821,133	821,133	43,162
Purchase of property, plant and equipment	-	(10,348)	(10,348)	(21,173)
Purchase of marketable securities	-	(605,827)	(605,827)	-
Proceeds on sale of donations in kind	27,585	-	27,585	34,758
	27,585	204,958	232,543	56,747
FINANCING ACTIVITY				
Interfund transfers	(74,722)	74,722	-	-
INCREASE (DECREASE) IN CASH DURING THE YEAR	(218,448)	334,970	116,522	68,139
CASH - BEGINNING OF YEAR	735,667	215,661	951,328	883,189
CASH - END OF YEAR	\$ 517,219	\$ 550,631	\$ 1,067,850	\$ 951,328

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. OPERATIONS

The Wellspring Foundation for Education was established on May 27, 2003 and incorporated under the Societies Act of British Columbia. The Foundation transitioned to the Societies Act of British Columbia during fiscal year 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. GOING CONCERN

The accompanying financial statements have been prepared on a going concern assumption that the Foundation will be able to realize its assets and discharge its liabilities in the normal course of operations. Due to the recent Covid-19 outbreak in March 2020, the Foundation has implemented various temporary cost saving measures to reduce losses and manage cash flow during this period. The continued operation of the Foundation is dependent upon receipt of donations from donors. The duration of the effects from the Covid-19 outbreak is not currently determinable and no provision has been made in these financial statements for any effects that the Foundation may experience if the effects of the outbreak is other than temporary. The Foundation has plans in place to address the anticipated effects within the short-term.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) 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

Cash consists of cash on deposit.

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THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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

(e) Financial instruments

(i) Measurement

The Foundation's financial instruments consist of cash and cash equivalents, marketable securities 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, except for marketable securities which are measured at fair value.

(ii) 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.

(iii) 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.

(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.

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THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

4. 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, 2019.

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. The Foundation is primarily exposed to currency risk and interest rate risk.

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THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

4. FINANCIAL INSTRUMENTS RISKS *(continued)*

Currency risk

Currency risk is the risk that the fair value or future cash year end flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year-end, the Foundation had cash balances of \$94,219 (2018 – \$125,965) denominated in \$US, and \$12,500 (2018 – \$35,170) 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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Foundation is exposed to interest rate risk primarily through its marketable securities. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through diversifying the types of investments, and its normal operating and financing activities.

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

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land leasehold	\$ 57,942	\$ -	\$ 57,942	\$ 1,039,011
Building under construction	-	-	-	56,888
Computer equipment	46,705	37,125	9,580	1,872
Equipment	51,980	51,980	-	118
Vehicles	362,082	336,208	25,874	37,269
	\$ 518,709	\$ 425,313	\$ 93,396	\$ 1,135,158

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.

During the year, the Foundation sold a piece of land in Kigali, Rwanda. The sale resulted in a loss of \$167,692.

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6. RESTRICTED FUND BALANCES

	2019	2018
Internally restricted		
Invested proceeds from land sale	\$ 614,751	\$ -
Property, plant and equipment	93,396	1,135,158
	708,147	1,135,158
Externally restricted		
School development program in Africa	334,705	46,593
Wellspring Centre for Education		
Beginning balance	139,277	196,165
Building under construction	-	(56,888)
Ending balance	71,625	185,870
Net restricted donations	76,649	59,603
	\$ 550,631	\$ 245,473

7. 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.

8. COMMITMENTS

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

2020	\$ 56,787
2021	54,955
2022	41,216
	<u>\$ 152,958</u>

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 the year, there was one employee whose annual remuneration met this criteria in the amount of \$115,201 (2018 – three employees – \$288,843).

THE WELLSRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified in order to conform to the current year's financial statement presentation. The reclassification had no effect on the net excess or total fund balances previously reported.