
THE WELLSPRING FOUNDATION FOR EDUCATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020, 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, 2020, 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.

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.

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 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 10, 2021

THE WELLSPRING FOUNDATION FOR EDUCATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

| | Operating Fund | Restricted Fund | 2020 | 2019 |
|-------------------------|-------------------|--------------------|--------------|--------------|
| ASSETS | | | | |
| CURRENT | | | | |
| Cash | \$ 760,293 | \$ 156,000 | \$ 916,293 | \$ 1,067,850 |
| GST recoverable | 8,794 | - | 8,794 | 10,584 |
| Prepaid expenses | 16,953 | - | 16,953 | 46,417 |
| | 786,040 | 156,000 | 942,040 | 1,124,851 |
| INVESTMENTS (Note 4) | - | 681,172 | 681,172 | 614,751 |
| CAPITAL ASSETS (Note 5) | - | 84,099 | 84,099 | 93,396 |
| | \$ 786,040 | \$ 921,271 | \$ 1,707,311 | \$ 1,832,998 |

LIABILITIES

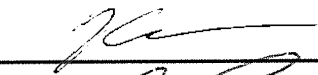
| | | | | |
|--|-----------|------|-----------|-----------|
| CURRENT | | | | |
| Accounts payable and accrued liabilities | \$ 47,314 | \$ - | \$ 47,314 | \$ 71,953 |


FUND BALANCES

| | | | | |
|---------------------|------------|------------|--------------|--------------|
| UNRESTRICTED | 738,726 | - | 738,726 | 502,267 |
| INTERNALLY | | | | |
| RESTRICTED (Note 6) | - | 765,271 | 765,271 | 708,147 |
| EXTERNALLY | | | | |
| RESTRICTED (Note 6) | - | 156,000 | 156,000 | 550,631 |
| | 738,726 | 921,271 | 1,659,997 | 1,761,045 |
| | \$ 786,040 | \$ 921,271 | \$ 1,707,311 | \$ 1,832,998 |

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, 2020

| | Operating Fund | Restricted Fund | 2020 | 2019 |
|---|-------------------|--------------------|---------------------|---------------------|
| REVENUE | | | | |
| Donations: | | | | |
| General | \$ 1,974,651 | \$ 156,000 | \$ 2,130,651 | \$ 2,503,152 |
| Donations in kind (Note 7) | 3,089 | - | 3,089 | 27,585 |
| Interest income | 6,984 | - | 6,984 | 14,022 |
| | 1,984,724 | 156,000 | 2,140,724 | 2,544,759 |
| EXPENSES | | | | |
| International operations: | | | | |
| Programs | 1,652,989 | - | 1,652,989 | 1,763,902 |
| Amortization of capital assets | - | 11,396 | 11,396 | 12,717 |
| Support | 7,004 | - | 7,004 | 56,539 |
| Foreign exchange loss | 5,195 | - | 5,195 | 9,440 |
| Support operations: | | | | |
| Fundraising | 330,960 | 110,418 | 441,378 | 453,435 |
| Administration | 367,529 | - | 367,529 | 312,054 |
| Rent | 60,462 | - | 60,462 | 58,757 |
| Amortization of capital assets | - | 4,793 | 4,793 | 1,395 |
| | 2,424,139 | 126,607 | 2,550,746 | 2,668,239 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS | (439,415) | 29,393 | (410,022) | (123,480) |
| OTHER INCOME (EXPENSES) | | | | |
| Investment income | - | 19,944 | 19,944 | - |
| Change in fair value of investments | - | 62,832 | 62,832 | 30,070 |
| Unrealized foreign exchange loss on investments | - | (11,610) | (11,610) | (21,146) |
| Government wage subsidy | 237,808 | - | 237,808 | - |
| Loss on sale of capital assets | - | - | - | (159,978) |
| Donations in kind given | - | - | - | (56,888) |
| | 237,808 | 71,166 | 308,974 | (207,942) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR | (201,607) | 100,559 | (101,048) | (331,422) |
| FUND BALANCES - BEGINNING OF YEAR | 502,267 | 1,258,778 | 1,761,045 | 2,092,467 |
| INTERFUND TRANSFERS (Note 11) | 438,066 | (438,066) | - | - |
| FUND BALANCES - END OF YEAR | \$ 738,726 | \$ 921,271 | \$ 1,659,997 | \$ 1,761,045 |

THE WELLSPRING FOUNDATION FOR EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Operating Fund | Restricted Fund | 2020 | 2019 |
|---|-------------------|--------------------|-------------------|---------------------|
| OPERATING ACTIVITIES | | | | |
| Excess (deficiency) of revenue over expenses for the year | \$ (201,607) | \$ 100,559 | \$ (101,048) | \$ (331,422) |
| Items not affecting cash: | | | | |
| Amortization of capital assets | - | 16,189 | 16,189 | 14,112 |
| Loss on sale of capital assets | - | - | - | 159,978 |
| Change in fair value of investments | - | (62,832) | (62,832) | (30,070) |
| Unrealized foreign exchange loss on investments | - | 11,610 | 11,610 | 21,146 |
| Donations in kind received | (3,089) | - | (3,089) | (27,585) |
| Donations in kind given | - | - | - | 56,888 |
| | (204,696) | 65,526 | (139,170) | (136,953) |
| Changes in non-cash working capital: | | | | |
| GST recoverable | 1,790 | - | 1,790 | (509) |
| Prepaid expenses | 29,464 | - | 29,464 | 4,233 |
| Accounts payable and accrued liabilities | (24,639) | - | (24,639) | 17,208 |
| | (198,081) | 65,526 | (132,555) | (116,021) |
| INVESTING ACTIVITIES | | | | |
| Proceeds on sale of capital assets | - | - | - | 821,133 |
| Purchase of capital assets | - | (6,892) | (6,892) | (10,348) |
| Purchase of investments | - | (15,199) | (15,199) | (605,827) |
| Proceeds on sale of donations in kind | 3,089 | - | 3,089 | 27,585 |
| | 3,089 | (22,091) | (19,002) | 232,543 |
| FINANCING ACTIVITY | | | | |
| Interfund transfers | 438,066 | (438,066) | - | - |
| INCREASE (DECREASE) IN CASH DURING THE YEAR | 243,074 | (394,631) | (151,557) | 116,522 |
| CASH - BEGINNING OF YEAR | 517,219 | 550,631 | 1,067,850 | 951,328 |
| CASH - END OF YEAR | \$ 760,293 | \$ 156,000 | \$ 916,293 | \$ 1,067,850 |

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. OPERATIONS

The Wellspring Foundation for Education (the "Foundation") was established on May 27, 2003 and incorporated under the Societies Act of British Columbia. The Foundation is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes. The Foundation's mandate is to build schools and train teachers in Rwanda, Africa.

In March 2020, a global health pandemic was declared due to the COVID-19 virus, which has had a significant impact on economic and social activity through the restrictions put in place by various levels of government regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 health pandemic may have on the Foundation is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The Foundation continues to monitor its operations and assess the impact COVID-19 will have on its operating activities and will make any necessary adjustments to maintain its financial position. The Foundation has plans in place to address the anticipated effects within the short-term.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

(a) Fund accounting

The Foundation presents its financial statements using the following funds:

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

The Restricted Fund accounts for the Foundation's capital assets and restricted funds.

(b) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted and unrestricted donations are recognized as revenue of the appropriate funds when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment, interest and other income is recognized as earned. Restricted contributions for which there is no corresponding restricted fund are recognized in the operating fund in accordance with the deferral method of accounting for contributions.

(c) Cash

Cash consists of cash on deposit.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis as follows:

| | |
|--------------------|---------|
| Computer equipment | 3 years |
| Vehicles | 5 years |

The Foundation's policy is to record a write down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to the Foundation's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of operations and are not reversed.

(e) Financial instruments

(i) Measurement

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

The Foundation initially measures all of its financial instruments at fair value. The Foundation subsequently measures all its financial assets and liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

(iii) Transaction costs

The Foundation recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(f) Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the transaction date. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the statement of operations.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenue and expenses as at the end of, or during the reporting period. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the useful lives of capital assets used for computing amortization, and the amounts recorded as accrued liabilities.

(h) Contributed services and materials

The Foundation benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements. Contributed materials are recorded at the fair market value only when a realizable value of the related benefit can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

3. FINANCIAL INSTRUMENTS RISKS

The Foundation's financial instruments are described in Note 2(e). In management's opinion, the Foundation is not exposed to significant credit, liquidity, market, currency, interest rate or other market risk arising from these financial instruments, except as described below. In addition, the Foundation is not exposed to any material concentrations of risk and there has been no significant change in risk exposures from the prior year, except in relation to the COVID-19 health pandemic (Note 1).

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's financial assets that are exposed to credit risk is cash. The risk associated with cash is minimized to the extent that it is primarily placed with financial institutions.

Although the COVID-19 health pandemic has had a significant impact on many organizations as explained in Note 1, based on the nature of the Foundation's operations, management has determined the Foundation's credit risk to be minimal and will continue to monitor cash collections to mitigate any potential credit risk.

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.

There is increased liquidity risk as a result of the COVID-19 health pandemic as explained in Note 1, as there is a risk that the Foundation will receive less donations. The Foundation will continue to monitor its cash flows and pro-actively communicate with all parties to mitigate this risk and anticipates that its cash reserves will adequately minimize liquidity risk.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. FINANCIAL INSTRUMENTS RISKS *(continued)*

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 manages risk by engaging professional investment managers.

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. The Foundation is exposed to foreign currency exchange risk as a significant portion of the Foundation's cash and investments are denominated in foreign currencies. At year end, the Foundation had cash balances of \$97,628 (2019 – \$94,219) denominated in \$USD, and \$63,385 (2019 – \$12,500) denominated in Rwandan francs and investments of \$536,007 (2019 - \$473,117) denominated in \$USD. The Foundation mitigates this risk through monitoring exchange rate fluctuations.

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 investments. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through diversifying the types of investments, and through its normal operating and financing activities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its equity investments. The Foundation controls other price risk by maintaining a diverse investment portfolio.

4. INVESTMENTS

Restricted investments are all held in US dollars and consist of the following amounts converted to \$CAD:

| | 2020 | 2019 |
|--------------|-------------------|-------------------|
| Fixed income | \$ 186,037 | \$ 178,089 |
| Balanced | 408,705 | 371,611 |
| Equity | 86,430 | 65,051 |
| | \$ 681,172 | \$ 614,751 |

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|--------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Land leasehold | \$ 57,942 | \$ - | \$ 57,942 | \$ 57,942 |
| Computer equipment | 37,401 | 25,212 | 12,189 | 9,580 |
| Vehicles | 430,215 | 416,247 | 13,968 | 25,874 |
| | \$ 525,558 | \$ 441,459 | \$ 84,099 | \$ 93,396 |

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.

6. RESTRICTED FUND BALANCES

| | 2020 | 2019 |
|--------------------------------------|-------------------|-------------------|
| Internally restricted | | |
| Capital assets fund | \$ 84,099 | \$ 93,396 |
| Investment fund | 681,172 | 614,751 |
| | 765,271 | 708,147 |
| Externally restricted | | |
| Wellspring Centre for Education | - | 139,277 |
| School development program in Africa | - | 334,705 |
| | - | 473,982 |
| Net restricted donations | 156,000 | 76,649 |
| | \$ 156,000 | \$ 550,631 |

7. DONATIONS IN KIND

During the year and in the prior 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.

THE WELLSPRING FOUNDATION FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

8. COMMITMENTS

The Foundation has leased office space and a photocopier. The anticipated minimum lease payments over the next two years are as follows:

| | |
|------|------------------|
| 2021 | \$ 54,955 |
| 2022 | <u>41,216</u> |
| | <u>\$ 96,171</u> |

9. SALARIES AND BENEFITS

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

Salaries and benefits expense during the year includes three individuals that earned over \$75,000, for a total of \$252,464 (2019 - one individual that earned over \$75,000, for a total of \$115,201).

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. INTERFUND TRANSFERS

During the year \$438,066 was transferred from the restricted fund to the operating fund, which primarily relate to previously restricted donations.

During the prior year \$74,722 was transferred from the operating fund to the restricted fund to account for the general activity within the capital asset and investment funds.