

SPEROWAY >

---

# financial statements

>YEAR ENDED JUNE 30, 2017

SPEROWAY>

# financial statements

>YEAR ENDED JUNE 30, 2017

---

## index

Independent auditor's report.....	I-2
Statement of financial position.....	3
Statement of changes in net assets.....	4
Statement of operations .....	5
Statement of cash flows.....	6
Notes to financial statements.....	7-10
Supplementary schedule	
A - Functional expenses.....	11-12



## INDEPENDENT AUDITOR'S REPORT

To the Members of Speroway:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Speroway, which comprise the statement of financial position as at June 30, 2017, and the statement of operations, statement of 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 generally accepted accounting principles 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 the auditor's 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, the auditor considers 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 qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many similar charitable organizations, Speroway derives revenue from donations from interested persons, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Speroway. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2017 and current assets and net assets as at June 30, 2017.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Speroway as at June 30, 2017 and the results of its operations and its cash flows for the year ended June 30, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

### **Other Matter**

The statement of financial position as at June 30, 2016 and statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, are unaudited.

Waterloo, Ontario  
May 8, 2018

*MAC LLP.*

LICENSED PUBLIC ACCOUNTANTS  
CHARTERED PROFESSIONAL ACCOUNTANTS

SPEROWAY>

# statement of financial position

>JUNE 30, 2017

---

	2017	2016 unaudited
<b><i>assets</i></b>		
<b>current</b>		
Cash	\$ 188,718	\$ 179,116
Other investments (Note 3)	278,337	218,463
Accounts receivable	4,766	2,078
Prepaid expenses	<u>20,751</u>	<u>15,964</u>
	492,572	415,621
<b>property and equipment (Note 4)</b>	<u>11,328</u>	<u>15,015</u>
	<u>\$ 503,900</u>	<u>\$ 430,636</u>
<b><i>liabilities</i></b>		
<b>current</b>		
Accounts payable and accrued liabilities	\$ 52,113	\$ 103,934
Deferred contributions (Note 5)	<u>395,275</u>	<u>177,705</u>
	<u>447,388</u>	<u>281,639</u>
<b>commitment (Note 6)</b>		
<b><i>net assets</i></b>		
Invested in property and equipment	11,328	15,015
Unrestricted	<u>45,184</u>	<u>133,982</u>
	<u>56,512</u>	<u>148,997</u>
	<u>\$ 503,900</u>	<u>\$ 430,636</u>

Approved on behalf of the board:

---

Director

---

Director

SPEROWAY>

# statement of changes in net assets

>YEAR ENDED JUNE 30, 2017

---

			2017	2016
	invested in property and equipment	unrestricted	total	total unaudited
<b>balance, beginning of year</b>	\$ 15,015	\$ 133,982	\$ 148,997	\$ 320,850
Deficiency of revenue over expense for year	<u>(3,687)</u>	<u>(88,798)</u>	<u>(92,485)</u>	<u>(171,853)</u>
<b>balance, end of year</b>	<u>\$ 11,328</u>	<u>\$ 45,184</u>	<u>\$ 56,512</u>	<u>\$ 148,997</u>

SPEROWAY>

# statement of operations

>YEAR ENDED JUNE 30, 2017

---

	2017	2016 unaudited
<b>revenue</b>		
Gifts-in-kind	\$10,195,438	\$ 5,233,046
Contributions (Note 7)	<u>1,040,998</u>	<u>826,563</u>
	<u>11,236,436</u>	<u>6,059,609</u>
<b>expenses (schedule A)</b>		
Program	10,918,971	5,679,244
Fundraising	180,984	250,219
Administration	<u>231,840</u>	<u>302,090</u>
	<u>11,331,795</u>	<u>6,231,553</u>
<b>loss from operations</b>	(95,359)	(171,944)
<b>other income</b>		
Investment income	<u>2,874</u>	<u>91</u>
<b>deficiency of revenue over expenses for year</b>	\$ <u>(92,485)</u>	\$ <u>(171,853)</u>

SPEROWAY>

# statement of cash flows

>YEAR ENDED JUNE 30, 2017

---

	2017	2016 unaudited
<b>operating activities</b>		
Deficiency of revenue over expenses for year	\$ (92,485)	\$ (171,853)
Adjustments for:		
Amortization	<u>3,687</u>	<u>6,844</u>
	(88,798)	(165,009)
Changes in non-cash working capital:		
Increase in accounts receivable	(2,688)	48,326
Increase in prepaid expenses	(4,787)	(8,900)
Decrease in accounts payable and accrued liabilities	(51,821)	(26,099)
Increase in deferred contributions	<u>217,570</u>	<u>177,705</u>
	69,476	26,023
<b>investing activities</b>		
Purchase of property and equipment	-	(1,029)
Net increase in other investments	<u>(59,874)</u>	<u>66,119</u>
Increase in cash	9,602	91,113
Cash balance, beginning of year	<u>179,116</u>	<u>88,003</u>
<b>cash balance, end of year</b>	<u>\$ 188,718</u>	<u>\$ 179,116</u>



# notes to financial statements

&gt;JUNE 30, 2017

## 1. purpose of organization

The mission of Speroway, the "Organization", is to provide food, clothing, medical supplies and equipment, educational materials, and other supplies to needy families and children, at home and abroad. The Organization is incorporated under the Canada Not-for-Profit Corporations Act and is a registered charity for Canadian Income Tax purposes. The Organization works in partnership with other relief and development organizations around the world.

## 2. significant accounting policies

**Basis of Accounting** - These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Revenue Recognition** - The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received. Restricted contributions are recognized as revenue when the expense is incurred.

Gifts-in-Kind, "GIK", are valued at 100% of their estimated fair value. The recognition of GIK revenue is limited to donations where the Organization takes possession or constructive title of the GIK and either the Organization was the original recipient of the gift or was involved in the partnership with the end-user agency, or the gift was used in the Organization's programs. GIK are recorded as revenue at such time as the goods are deployed for charitable purposes to the end-user agencies.

**Property and Equipment** - Property and equipment are recorded at cost. Contributed property and equipment are recorded at the fair market value at the date of contribution. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Computer equipment	Reducing balance	30 %
Furniture and fixtures	Reducing balance	20 %
Warehouse equipment	Reducing balance	30 %
Vehicles	Reducing balance	30 %

Property and equipment acquired during the year are amortized at one half the above annual rates.

**Contributed Materials and Services** - Volunteers contribute their time to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Disclosure and Use of Estimates** - The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

# notes to financial statements

&gt;JUNE 30, 2017

Estimates are used when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of property and equipment, and asset impairments.

## Financial Instruments

*Measurement* - The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial 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.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Organizations's financial assets measured at fair value include other investments.

*Impairment* - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as operating cost. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not 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 as income from operations.

*Transaction costs* - The Organization recognizes its transaction costs in net income 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.

**Allocation of expenses** - The Organization incurs salaries and benefits and general and administrative support expenses that are common to the administration of the Organization and to each program that it operates. Salaries and benefits are allocated proportionately based on the percentage of time spent on specific activities. All other expenses are allocated based on the percentages or dollar amount per program activity.

## 3. other investments

The major categories of other investments are as follows:

	2017	2016
Cash and cash equivalents	\$ 1,767	\$ 11
Fixed income and equity mutual funds	<u>276,570</u>	<u>218,452</u>
	<u>\$ 278,337</u>	<u>\$ 218,463</u>

# notes to financial statements

&gt;JUNE 30, 2017

## 4. property and equipment

	cost	accumulated amortization	net 2017	net 2016
Computer equipment	\$ 44,692	\$ 40,784	\$ 3,908	\$ 5,583
Furniture and fixtures	47,498	40,961	6,537	8,171
Warehouse equipment	5,437	5,014	423	604
Vehicles	<u>4,020</u>	<u>3,560</u>	<u>460</u>	<u>657</u>
	<u>\$ 101,647</u>	<u>\$ 90,319</u>	<u>\$ 11,328</u>	<u>\$ 15,015</u>

## 5. deferred contributions

Deferred contributions represent unspent resources restricted by the donor. Changes in the deferred contributions are as follows:

	2017	2016
Balance, beginning of year	\$ 177,705	\$ -
Amounts received during the year	580,416	467,396
Amounts recognized as revenue in the year	<u>(362,846)</u>	<u>(289,691)</u>
Balance, end of year	<u>\$ 395,275</u>	<u>\$ 177,705</u>

## 6. commitment

The Organization is obligated under a leasing contract for the premises from which it operates. The lease expires in 2019. The future minimum lease payments under the contract are as follows:

2018	\$ 39,296
2019	\$ 26,537

## 7. contributions

Contributions recognized as revenue on the statement of operations are reconciled to cash contributions received during the year as follows:

	2017	2016
Cash contributions received during the year	\$ 1,258,568	\$ 1,004,268
Increase in deferred contributions for the year	<u>(217,570)</u>	<u>(177,705)</u>
Contributions recognized as revenue for the year	<u>\$ 1,040,998</u>	<u>\$ 826,563</u>

## 8. financial instruments

**Risk Management** - The significant risks to which the Organization is exposed are liquidity risk and market risk. There has been no change to the risk exposures from the prior year.

**Liquidity Risk** - Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Organization's cash requirements.

**Market Risk** - The Organization's investments in mutual funds expose the Organization to price risks as equity and fixed income (within the mutual funds) investments are subject to price changes in an open market. Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the underlying assets are traded. The Organization's investments are primarily concentrated in Canada limiting the market risk associated with fluctuations in foreign currency.

SPEROWAY>

# schedule A - functional expenses

>YEAR ENDED JUNE 30, 2017

---

				2017	2016
	program	fundraising	administration	total	total
Advertising and public relations	\$ 26,513	\$ 87,495	\$ 10,887	\$ 124,895	\$ 115,641
Amortization	-	-	3,687	3,687	6,844
Bank charges and interest	5,563	1,446	13,243	20,252	16,311
Direct program services	(10,621,928)	-	-	10,621,928	5,560,902
Human resources	183,400	77,292	86,904	347,596	300,483
Insurance	-	-	4,685	4,685	4,593
Office	11,777	3,512	17,216	32,505	21,445
Professional fees	392	-	27,086	27,478	68,437
Property tax (rebate)	(71,315)	-	-	(71,315)	-
Rent	-	-	42,336	42,336	39,553
Repairs and maintenance	245	-	-	245	252
Telephone	48	-	9,331	9,379	8,032
Travel	140,420	11,179	15,503	167,102	89,023
Utilities	-	-	-	-	-
Vehicle	-	60	962	1,022	37
	<u>\$10,918,971</u>	<u>\$ 180,984</u>	<u>\$ 231,840</u>	<u>\$11,331,795</u>	<u>\$ 6,231,553</u>

SPEROWAY>

# schedule A - functional expenses

>YEAR ENDED JUNE 30, 2016

---

	program	fundraising	administration	total
Advertising and public relations	\$ 21,148	\$ 84,124	\$ 10,369	\$ 115,641
Amortization	-	-	6,844	6,844
Bank charges and interest	-	2,396	13,915	16,311
Direct program services	5,560,902	-	-	5,560,902
Human resources	73,694	87,836	138,953	300,483
Insurance	-	-	4,593	4,593
Office	-	6,459	14,986	21,445
Professional fees	104	21,940	46,393	68,437
Rent	-	729	38,824	39,553
Repairs and maintenance	-	12	240	252
Telephone	-	99	7,933	8,032
Travel	23,361	46,624	19,038	89,023
Vehicle	<u>35</u>	<u>-</u>	<u>2</u>	<u>37</u>
	<u>\$ 5,679,244</u>	<u>\$ 250,219</u>	<u>\$ 302,090</u>	<u>\$ 6,231,553</u>