SPEROWAY >

financial statements

>YEAR ENDED JUNE 30, 2018

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

SPEROWAY>

financial statements

>YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018 and June 30, 2017 and current assets and net assets as at June 30, 2018 and 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, 2018 and the results of its operations and its cash flows for the year ended June 30, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

MAC LLP.

Waterloo, Ontario
October 4, 2019

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

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statement of financial position

>JUNE 30, 2018

	2018	2017
assets		
current		
Cash	$ 274,010	$ 188,718
Other investments (Note 3)	425,379	278,337
Accounts receivable	296	4,766
Prepaid expenses	26,364	20,751
Due from affiliated organizations	1,369	-
	727,418	492,572
property and equipment (Note 4)	10,426	11,328
	$ 737,844	$ 503,900
liabilities		
current		
Accounts payable and accrued liabilities	$ 39,147	$ 52,113
Deferred contributions (Note 5)	609,841	395,275
	648,988	447,388
commitment (Note 6)		
net assets		
Invested in property and equipment	10,426	11,328
Unrestricted	78,430	45,184
	88,856	56,512
	$ 737,844	$ 503,900

Approved on behalf of the board:

Director

Director

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statement of changes in net assets

>YEAR ENDED JUNE 30, 2018

	invested in property and equipment	unrestricted	2018 total	2017 total
balance, beginning of year	$ 11,328	$ 45,184	$ 56,512	$ 148,997
Excess of revenue over expense for year	(3,016)	35,360	32,344	(92,485)
Investment in property and equipment	2,114	(2,114)	-	-
balance, end of year	$ 10,426	$ 78,430	$ 88,856	$ 56,512

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statement of operations

>YEAR ENDED JUNE 30, 2018

	2018	2017
revenue		
Gifts-in-kind	$12,019,389	$10,195,438
Contributions (Note 7)	1,094,659	1,040,998
	13,114,048	11,236,436
expenses (schedule A)		
Program	12,835,571	10,918,971
Fundraising	127,529	180,984
Administration	125,651	231,840
	13,088,751	11,331,795
loss from operations	25,297	(95,359)
other income		
Investment income	7,047	2,874
excess of revenue over expenses for year	$ 32,344	$ (92,485)

statement of cash flows

>YEAR ENDED JUNE 30, 2018

		2018		2017
operating activities				
Excess of revenue over expenses for year	$	32,344	$	(92,485)
Adjustments for:				
Amortization		3,016		3,687
		35,360		(88,798)
Changes in non-cash working capital:				
Decrease in accounts receivable		4,470		(2,688)
Increase in prepaid expenses		(5,613)		(4,787)
Increase in due from affiliated organizations		(1,369)		-
Decrease in accounts payable and accrued liabilities		(12,966)		(51,821)
Increase in deferred contributions		214,566		217,570
		234,448		69,476
investing activities				
Purchase of property and equipment		(2,114)		-
Net increase in other investments		(147,042)		(59,874)
Increase in cash		85,292		9,602
Cash balance, beginning of year		188,718		179,116
cash balance, end of year	$	274,010	$	188,718

notes to financial statements

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.

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, accounts receivable and due from affiliated organizations..

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:

	2018	2017
Cash and cash equivalents	$ 1,406	$ 1,767
Fixed income and equity mutual funds	423,973	276,570
	$ 425,379	$ 278,337

4. property and equipment

	cost	accumulated amortization	net 2018	net 2017
Computer equipment	$ 45,907	$ 42,138	$ 3,769	$ 3,908
Furniture and fixtures	48,397	42,358	6,039	6,537
Warehouse equipment	5,437	5,141	296	423
Vehicles	4,020	3,698	322	460
	$ 103,761	$ 93,335	$ 10,426	$ 11,328

5. deferred contributions

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

	2018	2017
Balance, beginning of year	$ 395,275	$ 177,705
Amounts received during the year	609,077	580,416
Amounts recognized as revenue in the year	(394,511)	(362,846)
Balance, end of year	$ 609,841	$ 395,275

6. commitment

The Organization is obligated under a leasing contract for the premises from which it operates. The lease expires in 2019. Subsequent to year end the Organization began a lease for a new premises expiring in 2022. The future minimum lease payments under the contracts are as follows:

2019	$ 26,537
2020	$ 22,680
2021	$ 22,995
2022	$ 23,309

7. contributions

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

	2018	2017
Cash contributions received during the year	$ 1,309,225	$ 1,258,568
Increase in deferred contributions for the year	(214,566)	(217,570)
Contributions recognized as revenue for the year	$ 1,094,659	$ 1,040,998

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.

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schedule A - functional expenses

>YEAR ENDED JUNE 30, 2018

	program	fundraising	administration	2018 total	2017 total
Advertising and public relations	$ 18,455	$ 54,335	$ 4,945	$ 77,735	$ 124,895
Amortization	-	-	3,016	3,016	3,687
Bank charges and interest	6,636	1,427	14,826	22,889	20,252
Direct program services	12,469,100	10,506	-	12,479,606	10,621,928
Human resources	146,923	50,326	52,932	250,181	347,596
Insurance	3,188	398	1,199	4,785	4,685
Office	12,140	5,433	9,140	26,713	32,505
Professional fees	22,416	1,245	8,059	31,720	27,478
Property tax (rebate)	-	-	-	-	(71,315)
Rent	24,592	2,472	12,232	39,296	42,336
Repairs and maintenance	20	-	531	551	245
Telephone	1,975	-	6,172	8,147	9,379
Travel	130,126	1,357	12,175	143,658	167,102
Vehicle	-	30	424	454	1,022
	$12,835,571	$ 127,529	$ 125,651	$13,088,751	$ 11,331,795

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schedule A - functional expenses

>YEAR ENDED JUNE 30, 2017

	program	fundraising	administration	total
Advertising and public relations	$ 26,513	$ 87,495	$ 10,887	$ 124,895
Amortization	-	-	3,687	3,687
Bank charges and interest	5,563	1,446	13,243	20,252
Direct program services	10,621,928	-	-	10,621,928
Human resources	183,400	77,292	86,904	347,596
Insurance	-	-	4,685	4,685
Office	11,777	3,512	17,216	32,505
Professional fees	392	-	27,086	27,478
Property tax (rebate)	(71,315)	-	-	(71,315)
Rent	-	-	42,336	42,336
Repairs and maintenance	245	-	-	245
Telephone	48	-	9,331	9,379
Travel	140,420	11,179	15,503	167,102
Vehicle	-	60	962	1,022
	$10,918,971	$ 180,984	$ 231,840	$ 11,331,795