

SPEROWAY >

financial statements

>YEAR ENDED JUNE 30, 2021

SPEROWAY>

financial statements

>YEAR ENDED JUNE 30, 2021

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Chartered Professional Accountants

510 Weber Street North, Waterloo, Ontario N2L 4E9
30 Arthur Street South, Elmira, Ontario N3B 2M7
T 519.725.2600 TF 1.877.725.2611 www.mac-ca.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Speroway:

Qualified Opinion

We have audited the financial statements of Speroway, the "Organization", which comprise the statement of financial position as at June 30, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2021, 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 Qualified Opinion

In common with many not-for-profit 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 unable to determine whether any adjustments might have been found necessary with respect to donation revenues, excess of revenues over expenses, and cash flows for the years ended June 30, 2021 and June 30, 2020 and current assets and net assets as at June 30, 2021 and June 30, 2020. Our conclusion on the financial statements as at and for the year ended June 30, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization in accordance with the ethical requirements that are relevant to our audit of 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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 Organization'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 Organization'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 Organization 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.

MAC LLP.

Waterloo, Ontario
November 25, 2021

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

SPEROWAY>

statement of financial position

>JUNE 30, 2021

	2021	2020
<i>assets</i>		
current		
Cash	\$ 246,975	\$ 189,315
Other investments (Note 3)	837,892	522,031
Accounts receivable	<u>17,207</u>	<u>8,807</u>
	1,102,074	720,153
property and equipment (Note 4)	<u>11,499</u>	<u>19,152</u>
	<u>\$ 1,113,573</u>	<u>\$ 739,305</u>
<i>liabilities</i>		
current		
Accounts payable and accrued liabilities	\$ 21,159	\$ 25,649
Deferred contributions (Note 5)	<u>644,830</u>	<u>603,080</u>
	665,989	628,729
long term debt (Note 6)	<u>30,000</u>	<u>-</u>
	<u>695,989</u>	<u>628,729</u>
commitment (Note 7)		
<i>net assets</i>		
Invested in property and equipment	11,499	19,152
Unrestricted	<u>406,085</u>	<u>91,424</u>
	<u>417,584</u>	<u>110,576</u>
	<u>\$ 1,113,573</u>	<u>\$ 739,305</u>

Approved on behalf of the board:

Director

Director

SPEROWAY>

statement of changes in net assets

>YEAR ENDED JUNE 30, 2021

			2021	2020
	invested in property and equipment	unrestricted	total	total
balance, beginning of year	\$ 19,152	\$ 91,424	\$ 110,576	\$ 94,747
Excess of revenue over expense for year	<u>(7,653)</u>	<u>314,661</u>	<u>307,008</u>	<u>15,829</u>
balance, end of year	<u>\$ 11,499</u>	<u>\$ 406,085</u>	<u>\$ 417,584</u>	<u>\$ 110,576</u>

SPEROWAY>

statement of operations

>YEAR ENDED JUNE 30, 2021

	2021	2020
revenue		
Gifts-in-kind	\$ 6,510,902	\$ 6,753,223
Contributions (Note 8)	818,541	843,853
Government subsidies	<u>98,799</u>	<u>26,771</u>
	<u>7,428,242</u>	<u>7,623,847</u>
expenses (schedule A)		
Program	6,969,181	7,362,584
Fundraising	124,731	120,464
Administration	<u>79,381</u>	<u>88,879</u>
	<u>7,173,293</u>	<u>7,571,927</u>
income from operations	254,949	51,920
other income (loss)		
Investment income	<u>52,059</u>	<u>(36,091)</u>
excess of revenue over expenses for year	<u>\$ 307,008</u>	<u>\$ 15,829</u>

SPEROWAY>

statement of cash flows

>YEAR ENDED JUNE 30, 2021

	2021	2020
operating activities		
Excess of revenue over expenses for year	\$ 307,008	\$ 15,829
Adjustments for:		
Amortization	<u>7,653</u>	<u>7,142</u>
	314,661	22,971
Changes in non-cash working capital:		
Increase in accounts receivable	(8,400)	(459)
Decrease in prepaid expenses	-	287
Decrease in due from affiliated organizations	-	3,149
Decrease in accounts payable and accrued liabilities	(4,490)	(20,793)
Increase in deferred contributions	<u>41,750</u>	<u>5,765</u>
	<u>343,521</u>	<u>10,920</u>
financing activities		
Advance of long term debt	<u>30,000</u>	<u>-</u>
investing activities		
Purchase of property and equipment	-	(8,082)
Net increase in other investments	<u>(315,861)</u>	<u>(2,295)</u>
	<u>(315,861)</u>	<u>(10,377)</u>
Increase in cash	57,660	543
Cash balance, beginning of year	<u>189,315</u>	<u>188,772</u>
cash balance, end of year	<u>\$ 246,975</u>	<u>\$ 189,315</u>

notes to financial statements

>JUNE 30, 2021

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.

Government subsidies includes amounts received under the Canada Emergency Wage Subsidy and Canada Emergency Commercial Rent Assistance program. Government subsidies are recognized as revenue in the year in which the related expenses are incurred.

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 %
Leasehold improvements	Straight Line	lease term

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.

notes to financial statements

>JUNE 30, 2021

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 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.

notes to financial statements

>JUNE 30, 2021

3. other investments

The major categories of other investments are as follows:

	2021	2020
Fixed income and equity mutual funds	\$ <u>837,892</u>	\$ <u>522,031</u>

4. property and equipment

	cost	accumulated amortization	net 2021	net 2020
Computer equipment	\$ 45,907	\$ 44,614	\$ 1,293	\$ 1,847
Furniture and fixtures	51,095	46,449	4,646	5,807
Warehouse equipment	5,437	5,336	101	145
Vehicles	4,020	3,909	111	158
Leasehold Improvements	<u>17,540</u>	<u>12,192</u>	<u>5,348</u>	<u>11,195</u>
	<u>\$ 123,999</u>	<u>\$ 112,500</u>	<u>\$ 11,499</u>	<u>\$ 19,152</u>

5. deferred contributions

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

	2021	2020
Balance, beginning of year	\$ 603,080	\$ 597,315
Amounts received during the year	333,382	376,158
Amounts recognized as revenue in the year	<u>(291,632)</u>	<u>(370,393)</u>
Balance, end of year	<u>\$ 644,830</u>	<u>\$ 603,080</u>

6. long term debt

	2021	2020
Canada emergency business account loan, non-interest bearing until December 31, 2022, interest at 5% thereafter. \$10,000 eligible for forgiveness if remainder is repaid before December 31, 2022. Due December 31, 2025.	\$ 40,000	\$ -
Forgiveable portion	<u>(10,000)</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ -</u>

notes to financial statements

>JUNE 30, 2021

The aggregate amount of principal payments required on the long term debt within the next five years is as follows:

2026	\$ 40,000
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7. commitment

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

2022	\$ 26,339
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8. contributions

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

	2021	2020
Cash contributions received during the year	\$ 860,291	\$ 849,618
Increase in deferred contributions for the year	<u>(41,750)</u>	<u>(5,765)</u>
Contributions recognized as revenue for the year	<u>\$ 818,541</u>	<u>\$ 843,853</u>

9. uncertainty due to global pandemic

The impact of COVID-19 in Canada and the global economy has been significant since March 2020 and subsequent to the year end. This has resulted in emergency measures to combat the spread of the virus. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of the business disruption and the related financial impact cannot be reasonably estimated at this time.

10. financial instruments

Risk Management - The significant risks to which the Organization is exposed are liquidity risk, market risk and currency 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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notes to financial statements

>JUNE 30, 2021

Currency Risk - The Organization realizes approximately 6% of its monetary revenue and incurs approximately 10% of its monetary expenses in foreign currency. Consequently, some assets, revenues and expenses are exposed to foreign exchange fluctuations. As at June 30, 2021, cash of \$43,229 (2020 - \$Nil) is denominated in US dollars.

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schedule A - functional expenses

>YEAR ENDED JUNE 30, 2021

				2021	2020
	program	fundraising	administration	total	total
Advertising and public relations	\$ 15,428	\$ 49,303	\$ 4,523	\$ 69,254	\$ 81,774
Amortization	-	-	7,653	7,653	7,142
Bank charges and interest	2,361	7,481	3,290	13,132	12,324
Direct program services	6,793,222	1,434	1,434	6,796,090	7,085,338
Human resources	99,493	54,515	43,057	197,065	259,293
Insurance	2,462	411	411	3,284	3,823
Office	16,889	4,227	7,588	28,704	16,759
Professional fees	14,004	2,334	2,334	18,672	25,120
Rent	17,741	1,477	1,477	20,695	18,292
Repairs and maintenance	694	115	115	924	-
Telephone	2,296	382	382	3,060	6,937
Travel	2,001	2,621	6,686	11,308	51,315
Vehicle	<u>2,590</u>	<u>431</u>	<u>431</u>	<u>3,452</u>	<u>3,810</u>
	<u>\$ 6,969,181</u>	<u>\$ 124,731</u>	<u>\$ 79,381</u>	<u>\$ 7,173,293</u>	<u>\$ 7,571,927</u>

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schedule A - functional expenses

>YEAR ENDED JUNE 30, 2020

	program	fundraising	administration	total
Advertising and public relations	\$ 20,111	\$ 59,575	\$ 2,088	\$ 81,774
Amortization	-	-	7,142	7,142
Bank charges and interest	6,167	3,213	2,944	12,324
Direct program services	7,083,308	1,596	434	7,085,338
Human resources	155,264	45,144	58,885	259,293
Insurance	2,867	478	478	3,823
Office	9,550	3,497	3,712	16,759
Professional fees	20,317	2,349	2,454	25,120
Rent	13,908	2,192	2,192	18,292
Telephone	5,209	864	864	6,937
Travel	43,025	1,080	7,210	51,315
Vehicle	<u>2,858</u>	<u>476</u>	<u>476</u>	<u>3,810</u>
	<u>\$ 7,362,584</u>	<u>\$ 120,464</u>	<u>\$ 88,879</u>	<u>\$ 7,571,927</u>