

SPEROWAY >

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# financial statements

>YEAR ENDED JUNE 30, 2023

SPEROWAY>

# financial statements

>YEAR ENDED JUNE 30, 2023

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## 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, 2023, and the changes in net assets, statements of operations 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, 2023, 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, The Organization 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 the Organization. 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, 2023 and June 30, 2022 and current assets and net assets as at June 30, 2023 and June 30, 2022. Our conclusion on the financial statements as at and for the year ended June 30, 2023 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.

Waterloo, Ontario  
January 8, 2024

*MAC LLP.*  
LICENSED PUBLIC ACCOUNTANTS  
CHARTERED PROFESSIONAL ACCOUNTANTS

SPEROWAY>

# statement of financial position

>JUNE 30, 2023

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	2023	2022
<b><i>assets</i></b>		
<b>current</b>		
Cash	\$ 485,235	\$ 302,667
Other investments (Note 3)	865,054	877,616
Accounts receivable	5,362	2,761
Prepaid expenses	<u>5,650</u>	<u>2,436</u>
	1,361,301	1,185,480
<b>non-current</b>		
Property and equipment (Note 4)	<u>3,712</u>	<u>4,771</u>
	<u>\$ 1,365,013</u>	<u>\$ 1,190,251</u>
<b><i>liabilities</i></b>		
<b>current</b>		
Accounts payable and accrued liabilities	\$ 4,544	\$ 4,873
Deferred contributions (Note 5)	<u>709,863</u>	<u>713,962</u>
	714,407	718,835
<b>non-current</b>		
Long term debt (Note 6)	<u>17,000</u>	<u>30,000</u>
	<u>731,407</u>	<u>748,835</u>
<b>commitment (Note 7)</b>		
<b><i>net assets</i></b>		
Invested in property and equipment	3,712	4,771
Unrestricted	<u>629,894</u>	<u>436,645</u>
	<u>633,606</u>	<u>441,416</u>
	<u>\$ 1,365,013</u>	<u>\$ 1,190,251</u>

Approved on behalf of the board:

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Director

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Director

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# statement of changes in net assets

>YEAR ENDED JUNE 30, 2023

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			2023	2022
	invested in property and equipment	unrestricted	total	total
<b>balance, beginning of year</b>	\$ 4,771	\$ 436,645	\$ 441,416	\$ 417,584
Excess of revenue over expense for year	<u>(1,059)</u>	<u>193,249</u>	<u>192,190</u>	<u>23,832</u>
<b>balance, end of year</b>	<u>\$ 3,712</u>	<u>\$ 629,894</u>	<u>\$ 633,606</u>	<u>\$ 441,416</u>

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# statement of operations

>YEAR ENDED JUNE 30, 2023

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	2023	2022
<b>revenue</b>		
Gifts-in-kind	\$ 8,809,396	\$ 5,800,430
Contributions (Note 8)	1,065,187	951,800
Government subsidies	<u>12,087</u>	<u>24,386</u>
	<u>9,886,670</u>	<u>6,776,616</u>
<b>expenses (schedule A)</b>		
Program	9,518,506	6,453,688
Fundraising	162,608	101,434
Administration	<u>81,693</u>	<u>95,642</u>
	<u>9,762,807</u>	<u>6,650,764</u>
<b>income from operations</b>	123,863	125,852
<b>other</b>		
Investment income (Note 9)	<u>68,327</u>	<u>(102,020)</u>
<b>excess of revenue over expenses for year</b>	<u>\$ 192,190</u>	<u>\$ 23,832</u>

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# statement of cash flows

>YEAR ENDED JUNE 30, 2023

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	2023	2022
<b>operating activities</b>		
Excess of revenue over expenses for year	\$ 192,190	\$ 23,832
Adjustments for:		
Amortization	1,059	6,728
Gain on sale of other investments	(6,000)	41,477
Donated investments	(4,960)	(15,600)
Unrealized gain on other investments	<u>(22,647)</u>	<u>74,649</u>
	159,642	131,086
Changes in non-cash working capital:		
Accounts receivable	(2,601)	14,446
Prepaid expenses	(3,214)	(2,436)
Accounts payable and accrued liabilities	(330)	(16,286)
Deferred contributions	<u>(4,099)</u>	<u>69,132</u>
	<u>149,398</u>	<u>195,942</u>
<b>financing activities</b>		
Repayment of long term debt	<u>(13,000)</u>	<u>-</u>
<b>investing activities</b>		
Proceeds on sale of other investments	815,125	374,672
Purchase of other investments	<u>(768,955)</u>	<u>(514,922)</u>
	<u>46,170</u>	<u>(140,250)</u>
Increase in cash	182,568	55,692
Cash balance, beginning of year	<u>302,667</u>	<u>246,975</u>
<b>cash balance, end of year</b>	<u>\$ 485,235</u>	<u>\$ 302,667</u>



# notes to financial statements

&gt;JUNE 30, 2023

## 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 received for charitable purposes.

Government subsidies include amounts received under the Canada Summer Jobs 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, 2023

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**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, valuation of gifts in kind, allowance for doubtful accounts, useful lives of property and equipment, and asset impairments.

## **Financial Instruments**

*Initial measurement* - The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

*Subsequent measurement* - The Organization subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost. Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable

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

The Organization has not designated any financial liability to be measured at fair value.

*Impairment* - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 in net income.

*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

&gt;JUNE 30, 2023

## 3. other investments

The major categories of other investments are as follows:

	2023	2022
Common shares	\$ 8,747	\$ 200,767
Equity mutual funds	656,649	427,556
Fixed income	95,880	249,293
Mortgage investments maturing within one year	<u>103,778</u>	<u>-</u>
	<u>\$ 865,054</u>	<u>\$ 877,616</u>

## 4. property and equipment

	cost	accumulated amortization	net 2023	net 2022
Computer equipment	\$ 45,907	\$ 45,274	\$ 633	\$ 905
Furniture and fixtures	51,095	48,121	2,974	3,717
Warehouse equipment	5,437	5,387	50	71
Vehicles	4,020	3,965	55	78
Leasehold Improvements	<u>17,540</u>	<u>17,540</u>	<u>-</u>	<u>-</u>
	<u>\$ 123,999</u>	<u>\$ 120,287</u>	<u>\$ 3,712</u>	<u>\$ 4,771</u>

## 5. deferred contributions

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

	2023	2022
Balance, beginning of year	\$ 713,962	\$ 644,830
Amounts received during the year	451,854	532,754
Amounts recognized as revenue in the year	<u>(455,953)</u>	<u>(463,622)</u>
Balance, end of year	<u>\$ 709,863</u>	<u>\$ 713,962</u>

## 6. long term debt

	2023	2022
Canada emergency business account loan, non-interest bearing until January 18, 2024, interest at 5% thereafter. \$10,000 eligible for forgiveness if remainder is repaid before January 18, 2024. Due December 31, 2026.	\$ 27,000	\$ 40,000
Forgiveable portion	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 17,000</u>	<u>\$ 30,000</u>

# notes to financial statements

&gt;JUNE 30, 2023

The aggregate amount of principal payments required on the long term debt are as follows:

2027	\$ 27,000
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## 7. commitment

The Organization is obligated under a leasing contract for the premises from which it operates. The lease term ends December 2024 and future minimum lease payments under the contracts are as follows:

2024	\$ 23,519
2025	\$ 11,925

## 8. contributions

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

	2023	2022
Cash contributions received during the year	\$ 1,061,088	\$ 1,020,932
Decrease in deferred contributions for the year	<u>4,099</u>	<u>(69,132)</u>
Contributions recognized as revenue for the year	<u>\$ 1,065,187</u>	<u>\$ 951,800</u>

## 9. investment income

Investment income is composed of the following amounts:

	2023	2022
Dividends and interest income	\$ 39,680	\$ 14,106
Realized gain on sale of investments	6,000	(41,477)
Unrealized gain on investments	<u>22,647</u>	<u>(74,649)</u>
	<u>\$ 68,327</u>	<u>\$ (102,020)</u>

## 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.

**Currency Risk** - The Organization realizes approximately 8% (2022 - 20%) of its monetary revenue and incurs approximately 18% (2022 - 40%) of its monetary expenses in foreign currency. Consequently, some assets, revenues and expenses are exposed to foreign exchange fluctuations. As at June 30, 2023, cash of \$8,194 (2022 - \$22,164) is denominated in US dollars.

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# schedule A - functional expenses

>YEAR ENDED JUNE 30, 2023

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	program	fundraising	administration	2023 total	2022 total
Advertising and public relations	\$ 16,998	\$ 81,472	\$ 4,905	\$ 103,375	\$ 76,583
Amortization	-	-	1,059	1,059	6,728
Bank charges and interest	3,532	11,484	633	15,649	13,776
Direct program services	9,258,894	1,780	1,780	9,262,454	6,246,376
Human resources	121,469	36,383	58,295	216,147	177,478
Insurance	4,539	756	756	6,051	4,328
Office	10,761	3,291	4,480	18,532	21,839
Professional fees	9,549	3,947	1,447	14,943	11,662
Rent	17,437	2,906	2,906	23,249	20,696
Repairs and maintenance	-	-	-	-	348
Telephone	4,731	789	789	6,309	4,267
Travel	66,121	19,054	3,897	89,072	60,624
Vehicle	<u>4,475</u>	<u>746</u>	<u>746</u>	<u>5,967</u>	<u>6,059</u>
	<u>\$ 9,518,506</u>	<u>\$ 162,608</u>	<u>\$ 81,693</u>	<u>\$ 9,762,807</u>	<u>\$ 6,650,764</u>

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# schedule A - functional expenses

>YEAR ENDED JUNE 30, 2022

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	program	fundraising	administration	total
Advertising and public relations	\$ 19,963	\$ 51,553	\$ 5,067	\$ 76,583
Amortization	-	-	6,728	6,728
Bank charges and interest	754	9,027	3,995	13,776
Direct program services	6,243,382	1,497	1,497	6,246,376
Human resources	97,435	29,979	50,064	177,478
Insurance	3,246	541	541	4,328
Office	11,583	1,994	8,262	21,839
Professional fees	8,184	2,114	1,364	11,662
Rent	14,868	2,914	2,914	20,696
Repairs and maintenance	-	-	348	348
Telephone	3,201	533	533	4,267
Travel	46,527	525	13,572	60,624
Vehicle	<u>4,545</u>	<u>757</u>	<u>757</u>	<u>6,059</u>
	<u>\$ 6,453,688</u>	<u>\$ 101,434</u>	<u>\$ 95,642</u>	<u>\$ 6,650,764</u>