

Special Olympics Prince Edward Island Inc.

Financial Statements
July 31, 2021

Draft

Independent Auditor's Report

To the Directors of Special Olympics Prince Edward Island Inc.

Qualified Opinion

We have audited the financial statements of Special Olympics Prince Edward Island Inc., which comprise the statement of financial position as at July 31, 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 possible 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 Special Olympics Prince Edward Island Inc. as at July 31, 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 of Qualified Opinion

In common with many not-for-profit organizations, Special Olympics Prince Edward Island Inc. derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Special Olympics Prince Edward Island Inc.. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended July 31, 2021 and July 31, 2020, current assets as at July 31, 2021 and July 31, 2020, and net assets as at August 1 and July 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended July 31, 2020 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 Special Olympics Prince Edward Island Inc. in accordance with the 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 qualified audit opinion.

Other Matter

The financial statements for the year ended July 31, 2020 were audited by another auditor who expressed an unqualified opinion on these financial statements on December 21, 2020.

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 Special Olympics Prince Edward Island Inc.'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 Special Olympics Prince Edward Island Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Special Olympics Prince Edward Island Inc.'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 Special Olympics Prince Edward Island Inc.'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 Special Olympics Prince Edward Island Inc.'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 Special Olympics Prince Edward Island Inc. 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.

Chartered Professional Accountants

Special Olympics Prince Edward Island Inc.

Statement of Financial Position

As at July 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	518,880	188,150
Short-term investments	319,228	269,979
Accounts receivable (note 3)	125,906	130,114
Prepaid expenses	1,236	10,555
	<u>965,250</u>	<u>598,798</u>
Long-term investments	76,293	122,856
Capital assets (note 4)	<u>8,647</u>	<u>11,120</u>
	<u>1,050,190</u>	<u>732,774</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 5 and 9)	26,186	15,556
Deferred revenue	31,423	28,666
	<u>57,609</u>	<u>44,222</u>
Unrestricted net assets	<u>992,581</u>	<u>688,552</u>
	<u>1,050,190</u>	<u>732,774</u>

Approved by the Board of Directors

_____ Director

_____ Director

Special Olympics Prince Edward Island Inc.

Statement of Change in Net Assets

For the year ended July 31, 2021

	2021 \$	2020 \$
Unrestricted net assets - Beginning of year	646,805	605,670
Prior period adjustment (note 10)	41,747	-
Balance as restated	688,552	605,670
Excess revenue for the year (note 10)	304,029	82,882
Unrestricted net assets - End of year	992,581	688,552

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Special Olympics Prince Edward Island Inc.

Statement of Earnings

For the year ended July 31, 2021

	2021	2020
	\$	\$
Revenue		
Grants	355,976	322,708
Team P.E.I.	1,020	68,983
Province of Prince Edward Island, Department of Health and Wellness	28,000	29,000
Donations	42,125	24,363
Donations in kind (note 7)	7,100	-
Sponsorships	22,500	20,000
Fundraising	5,434	8,064
Interest and miscellaneous	2,687	7,566
Registration fees	40	7,128
P.E.I. ADA Campaign	30,000	-
Events		
Enriching Lives Gala and Summerside Luncheon (Schedule 1)	154,697	45,490
Law Enforcement Torch Relay	31,581	31,942
Bowling Provincials	4,590	924
	<u>685,750</u>	<u>566,168</u>
Expenses		
Advertising and promotion	16,528	5,455
Conferences and meetings	645	10,991
Fundraising	7,221	8,172
Insurance	3,076	3,459
Office and miscellaneous	36,506	28,228
Professional fees	25,216	18,346
Rent (note 7)	6,471	6,471
Sports Canada	105,293	104,698
Sports Programs (Schedule 2)	193,017	260,999
Telephone	2,664	2,662
Wages and benefits	96,607	82,075
Amortization	2,473	2,804
	<u>495,717</u>	<u>534,360</u>
Operating earnings	190,033	31,808
Other income		
Government assistance (note 10)	113,996	51,074
Excess revenue for the year	<u>304,029</u>	<u>82,882</u>

Special Olympics Prince Edward Island Inc.

Statement of Cash Flows

For the year ended July 31, 2021

	2021	2020
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	304,029	82,882
Item not affecting cash		
Amortization	2,473	2,804
Government assistance	(20,000)	-
	<u>286,502</u>	<u>85,686</u>
Net change in non-cash working capital items		
Increase in short-term investments	(49,249)	(72,310)
Decrease (increase) in accounts receivable	4,208	(11,856)
Decrease (increase) in prepaid expenses	9,319	(8,335)
Increase (decrease) in accounts payable and accrued liabilities	10,630	(23,609)
Increase (decrease) in deferred revenue	2,757	(24,880)
	<u>264,167</u>	<u>(55,304)</u>
Financing activities		
Increase in long-term debt	60,000	-
Payments on long-term debt	(40,000)	-
	<u>20,000</u>	<u>-</u>
Investing activities		
Decrease (increase) in long-term investments	46,563	(12,812)
Purchase of capital assets	-	(1,966)
	<u>46,563</u>	<u>(14,778)</u>
Increase (decrease) in cash	<u>330,730</u>	<u>(70,082)</u>
Cash - Beginning of year	<u>188,150</u>	<u>258,232</u>
Cash - End of year	<u>518,880</u>	<u>188,150</u>

Special Olympics Prince Edward Island Inc.

Notes to Financial Statements

July 31, 2021

1 Status and purpose of organization

The objective and purpose of Special Olympics Prince Edward Island Inc. is to provide sport training and competitive experiences for individuals with intellectual disabilities in the Province of Prince Edward Island.

The company is a registered charity and is therefore tax exempt under Section 149(1) of the *Income Tax Act*.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash

Cash consists of bank balances.

Investments

Short-term investments consist of investments with a maturity within twelve months. Long-term investments consist of investments with a maturity greater than twelve months from year end.

Capital assets

Each class of capital assets is carried at cost less, where applicable, any accumulated amortization and impairment losses.

The amortization rates used for each class of capital assets are:

Office equipment	30%	Declining balance
Leasehold improvements	20%	Declining balance

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collectibility is reasonably assured.

Interest revenue is recognized in the period in which it is earned.

Amounts that have been recorded in advance of services being rendered are recorded as deferred revenue until the Organization discharges the obligations that led to the collection of funds.

Special Olympics Prince Edward Island Inc.

Notes to Financial Statements

July 31, 2021

The Organization only recognizes contributed materials and services when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Contributed services

Volunteers contribute a significant amount of time each year to assist the Organization in carrying out its programs and services. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, provided that fair value can be reasonably determined.

Government assistance

Government assistance relating to operations are recorded as revenue in the year it is received or receivable.

Use of estimates

The preparation of these financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and the estimated useful life of capital assets. Actual results could differ from those estimates.

Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at July 31, 2021. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

Special Olympics Prince Edward Island Inc.

Notes to Financial Statements

July 31, 2021

Financial instruments

(a) Measurement of financial instruments

Special Olympics Prince Edward Island Inc.'s financial instruments consist of cash, short-term investments, accounts receivable, long-investments and accounts payable and accrued liabilities.

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the company determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue for the year. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess revenue for the year.

(c) Risks

Transacting in financial instruments exposes the Organization to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The Organization is exposed to credit risk in connection with the collection of its accounts receivable. The Organization mitigates this risk by performing continuous evaluation of its accounts and loans receivables.
- ii) Liquidity risk: The Organization's exposure to liquidity risk is dependent on the collection of accounts receivable or raising of funds to meet commitments and sustain operations. The Organization controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

Special Olympics Prince Edward Island Inc.

Notes to Financial Statements

July 31, 2021

3 Accounts receivable

	2021	2020
	\$	\$
Trade	39,438	19,770
Government contributions (note 10)	52,731	86,278
HST	33,737	24,066
	<u>125,906</u>	<u>130,114</u>

4 Property and equipment

	2021		2020	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Office equipment	18,180	16,437	1,743	2,491
Leasehold improvements	28,634	21,730	6,904	8,629
	<u>46,814</u>	<u>38,167</u>	<u>8,647</u>	<u>11,120</u>

5 Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Trade payables and accrued liabilities (note 9)	16,553	8,139
Source deductions payable	5,633	7,417
	<u>22,186</u>	<u>15,556</u>

6 Long-term debt

	2021	2020
	\$	\$
0% loan, due in full December 2022, after such time the loan will automatically be converted to a 5% term loan, due December 31, 2025, with interest payments due monthly, unsecured.	20,000	-
Less: Government assistance portion	<u>20,000</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Special Olympics Prince Edward Island Inc.

Notes to Financial Statements

July 31, 2021

7 Non-monetary transactions

The Organization received a reduction in rent from Sport PEI throughout the year of \$657 (2020 - nil) in donations in-kind which has been recognized in the Statement of Operations.

The Organization received a reduction in bowling fees from Murphy's Community Centre throughout the year of \$6,443 (2020 - nil) in donations in-kind which has been recognized in the Statement of Operations.

The Organization held various sponsorship agreements, whereby goods and services were received in consideration for event invitations and advertising opportunities. These transactions are accounted for at the market value of the goods and services received. Donations in kind of \$13,912 (2020 - \$142) are recognized in Enriching Lives Gala and Summerside Luncheon in the Statement of Operations.

8 Commitments

The minimum annual lease payments over the next five years under an operating lease expiring in 2026 are as follows:

	\$
Year ending July 31, 2022	5,975
2023	6,048
2024	6,091
2025	6,177
2026	4118

9 Related party transactions

During the year, the Organization received funding of \$305,540 (2020 - \$188,401) for various activities and paid accreditation fees of \$2,750 (2020 - \$3,410) to Special Olympics Canada.

Included in accounts payable and accrued liabilities is \$5,466 (2020 - nil) dues to Special Olympics Canada.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

Special Olympics Prince Edward Island Inc.

Notes to Financial Statements

July 31, 2021

10 Prior period adjustment

During the current audit, it was noted that amounts received for the Canadian Emergency Wage Subsidy in prior periods had been included in revenue during the year in which the funding was received.

As a result, a prior period adjustment has been made which resulted in the following changes:

- Accounts receivable at July 31, 2020 has increased by \$41,747;
- Excess revenue at July 31, 2020 has increased by \$41,747;
- Unrestricted net assets at July 31, 2020 has increased by \$41,747; and
- Government assistance - wage subsidies at July 31, 2020 has increased by \$41,747.

11 Comparative figures

Certain figures for 2020 have been reclassified to conform to the presentation adopted in 2021

Special Olympics Prince Edward Island Inc.
Schedule of Enriching Lives Gala and Summerside Luncheon
For the year ended July 31, 2021

Schedule 1

	2021	2020
	\$	\$
Donations in-kind (note 7)	13,912	142
Receipts	190,588	50,244
Disbursements	(49,803)	(4,896)
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	154,697	45,490
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Special Olympics Prince Edward Island Inc.

Schedule of Sports Programs

For the year ended July 31, 2021

Schedule 2

	2021	2020
	\$	\$
Canada Games Training Team	900	-
Competitions		
Local	7,772	18,378
National	642	87,381
Equipment	22,033	9,010
Program development (note 7)	109,285	95,303
Volunteer recognition	1,763	2,235
Wages	50,622	48,692
	<u>193,017</u>	<u>260,999</u>