

Financial statements

Special Olympics Alberta Association

June 30, 2016



Building a better
working world

Independent auditors' report

To the Members of
Special Olympics Alberta Association

We have audited the accompanying financial statements of **Special Olympics Alberta Association**, which comprise the statement of financial position as at June 30, 2016, and the statements of changes in net assets, operations and 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 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.

Auditors' 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 auditors' 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 auditors consider 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

As is common with not-for-profit organizations, certain revenue is not subject to complete audit verification. Our examination of revenue was restricted to testing deposited revenue and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, current assets and net assets.

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 **Special Olympics Alberta Association** as at June 30, 2016, 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.

Edmonton, Canada,
September 21, 2016

Ernst & Young LLP

Chartered Professional Accountants



Special Olympics Alberta Association

Statement of financial position

As at June 30

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,959,000	1,950,896
Accounts receivable <i>[note 7]</i>	155,587	261,450
Goods and Services Tax recoverable	21,863	18,700
Prepaid expenses	4,140	6,494
Total current assets	2,140,590	2,237,540
Capital assets <i>[note 3]</i>	51,857	22,413
Total assets	2,192,447	2,259,953
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 7]</i>	43,618	155,423
Deferred contributions <i>[note 4]</i>	463,571	295,200
Current portion of capital lease obligation	1,557	1,557
Total current liabilities	508,746	452,180
Capital lease obligation	2,076	3,632
Total liabilities	510,822	455,812
Net assets	1,681,625	1,804,141
	2,192,447	2,259,953

See accompanying notes

On behalf of the Board:

Director

Director

Special Olympics Alberta Association

Statement of changes in net assets

Year ended June 30

	2016			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 5]</i>			
Balance, beginning of the year	17,224	686,854	1,100,063	1,804,141
Deficiency of revenue over expenses	—	—	(122,516)	(122,516)
Purchases of capital assets	43,170	—	(43,170)	—
Amortization of capital assets	(13,726)	—	13,726	—
Repayment of capital lease obligation	1,556	—	(1,556)	—
Transfer to contingency fund	—	1,909	(1,909)	—
Balance, end of the year	48,224	688,763	944,638	1,681,625
	2015			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 5]</i>			
Balance, beginning of the year	8,528	679,632	1,003,324	1,691,484
Excess of revenue over expenses	—	—	112,657	112,657
Purchases of capital assets	12,781	—	(12,781)	—
Loss on disposal of capital assets	(397)	—	397	—
Amortization of capital assets	(5,245)	—	5,245	—
Repayment of capital lease obligation	1,557	—	(1,557)	—
Transfer to contingency fund	—	7,222	(7,222)	—
Balance, end of the year	17,224	686,854	1,100,063	1,804,141

See accompanying notes

Special Olympics Alberta Association

Statement of operations

Year ended June 30

	2016	2015
	\$	\$
Revenue (Schedule 1)		
Events	152,602	890,120
Government funding	132,528	197,528
Casino and raffle	194,037	356,319
National revenue	558,542	425,994
General <i>[note 6]</i>	272,117	270,066
Sport programs and events	65,253	3,660
Interest	7,668	14,946
	1,382,747	2,158,633
Expenses (Schedule 2)		
Sport programs and events	562,164	1,031,507
Affiliate development	663,785	705,962
Resource development	159,385	225,118
Communications	49,359	22,405
Operations	70,570	60,984
	1,505,263	2,045,976
Excess (deficiency) of revenue over expenses	(122,516)	112,657

See accompanying notes

Special Olympics Alberta Association

Statement of cash flows

Year ended June 30

	2016	2015
	\$	\$
Cash provided by (used in) operating activities		
Excess (deficiency) of revenue over expenses	(122,516)	112,657
Add item not affecting cash:		
Loss on disposal of capital assets	—	397
Amortization of capital assets	13,726	5,245
	<u>(108,790)</u>	118,299
Changes in non-cash working capital balances:		
Accounts receivable	105,863	(88,368)
Goods and Services Tax recoverable	(3,163)	(5,740)
Prepaid expenses	2,354	107,902
Accounts payable and accrued liabilities	(111,805)	90,636
Deferred contributions	168,371	(283,600)
	<u>52,830</u>	(60,871)
Cash used in investing activities		
Purchases of capital assets	<u>(43,170)</u>	(12,781)
Cash used in financing activities		
Repayment of capital lease obligation	<u>(1,556)</u>	(1,557)
Net increase (decrease) in cash and cash equivalents during the year	8,104	(75,209)
Cash and cash equivalents, beginning of the year	<u>1,950,896</u>	2,026,105
Cash and cash equivalents, end of the year	<u>1,959,000</u>	1,950,896
Supplemental cash flow information		
Interest paid	<u>30</u>	30

See accompanying notes

Schedule of revenue

Year ended June 30

	2016	2015
	\$	\$
Events		
Law Enforcement Torch Run	152,602	322,743
MDA Golf Classic	—	344,931
Provincial Games	—	222,446
	152,602	890,120
Government funding		
Alberta Sport Connection – annual	92,528	92,528
Alberta Sport Connection – other <i>[note 8]</i>	30,000	30,000
Alberta Lottery Fund	10,000	75,000
	132,528	197,528
Casino and raffle		
Casino	117,985	236,207
Raffle	76,052	120,112
	194,037	356,319
National revenues		
Staples	63,644	75,719
Home Hardware	14,000	14,000
Wolseley	—	9,500
Safeway	199,657	—
Signature Authentics	84,557	113,506
Other	196,684	213,269
	558,542	425,994
General		
Foundations <i>[note 8]</i>	179,086	143,000
Corporate campaign	45,534	74,258
Service clubs	1,500	2,730
Rent (gift-in-kind) <i>[note 6]</i>	15,000	15,000
Memorial contributions	125	100
Other	30,872	34,978
	272,117	270,066
Sport programs and events		
Miscellaneous	65,253	3,660
Interest	7,668	14,946
Total revenue	1,382,747	2,158,633

See accompanying notes

Schedule of expenses by department

Year ended June 30

	2016	2015
	\$	\$
Total revenue	1,382,747	2,158,633
Expenses		
Direct sport programs and events expenses <i>[note 7]</i>	243,432	613,811
Sport programs and events salaries and benefits	113,953	107,964
Allocated costs	204,779	309,732
Total sport programs and events	562,164	1,031,507
Direct affiliate development expenses <i>[note 7]</i>	360,514	469,201
Allocated costs	303,271	236,761
Total affiliate development	663,785	705,962
Direct resource development expenses	86,565	149,619
Allocated costs	72,820	75,499
Total resource development	159,385	225,118
Direct communications expenses	26,808	14,891
Allocated costs	22,551	7,514
Total communications	49,359	22,405
Direct operations expenses	38,328	40,532
Allocated costs	32,242	20,452
Total operations	70,570	60,984
Total expenses	1,505,263	2,045,976
Excess (deficiency) of revenue over expenses	(122,516)	112,657
Summary		
	\$	\$
Total revenue	1,382,747	2,158,633
Total direct expenses	755,647	1,288,054
Total sport programs and events salaries and benefits	113,953	107,964
Total allocated costs <i>[notes 6, 7 and 9]</i>	635,663	649,958
Total expenses	1,505,263	2,045,976
Excess (deficiency) of revenue over expenses	(122,516)	112,657

See accompanying notes

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

1. The organization

Special Olympics Alberta Association [the "Association"] provides year-round athletic and sports training programs and competitions for persons with an intellectual disability. The Association is a registered charity, exempt from income taxes under the Income Tax Act (Canada), and incorporated under the Societies Act of the Province of Alberta.

The Association is affiliated with Special Olympics Canada Inc. as well as provincial affiliates operating as accredited chapters under the authority of the Board of Special Olympics Alberta Association. The provincial affiliates have similar objectives to the Association and operate independently under the auspices of local volunteer management committees.

2. Significant accounting policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting Standards for Not-For-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada, and includes the significant accounting policies summarized below.

Basis of accounting

These financial statements include only those assets, liabilities, revenue and expenses of the Association and do not include the accounts or operating results of any provincial affiliates. Separate financial statements are prepared by the provincial affiliates.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Grants are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions from events and other activities are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Contributions specifically designated for capital purposes are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Contributed goods and services are reflected in the financial statements at fair value, if fair value can be reasonably determined. Volunteer hours and services are not recognized in the financial statements due to the difficulty in determining their fair value.

Interest income is recognized on the accrual basis.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

Allocation of expenses

The costs of each department include the costs of personnel and other expenses that are directly related to the department. The Association also incurs general support expenses that are common to the administration of the Association and are allocated to each of its departments. These allocated expenses include salaries and benefits, travel, accreditation fees, insurance and other administration costs. These expenses are allocated to departments proportionately based on the direct expenses incurred by each department.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments that are immediately cashable or have initial maturity dates of less than 91 days.

Capital assets

Purchased tangible and intangible capital assets are recorded at acquisition cost. Contributed tangible and intangible capital assets are recorded at fair value at the date of contribution.

Amortization is determined using the following methods over the estimated useful lives of the assets as follows:

Tangible

Computer equipment	30% declining balance
Office equipment	10% declining balance and 5 years straight-line

Intangible

Website	3 years straight-line
---------	-----------------------

Employee benefit plans

The Association contributes to retirement savings plans based on the amount of employee contributions, subject to maximum limits per employee. The Association accounts for such defined contributions as an expense on an accrual basis.

Leases

Leases that transfer substantially all of the risks and benefits of ownership of assets to the Association are accounted for as capital leases. Assets under capital leases are recorded at inception of the lease together with the related long-term obligation to reflect the purchase and financing thereof. Rental payments under operating leases are expensed as incurred.

Financial instruments

Investments are recorded at fair value. Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at amortized cost.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

3. Capital assets

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	70,272	36,289	33,983
Office equipment	14,552	4,878	9,674
	84,824	41,167	43,657
Intangible			
Website	12,300	4,100	8,200
	97,124	45,267	51,857
	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	39,402	28,340	11,062
Office equipment	14,552	3,201	11,351
	53,954	31,541	22,413
Intangible			
Website	7,881	7,881	—
	61,835	39,422	22,413

Assets under capital lease with a cost of \$7,005 [2015 – \$7,005] and accumulated amortization of \$2,671 [2015 – \$1,588] are included in office equipment.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

4. Deferred contributions

Deferred contributions represent unspent contributions externally restricted for various purposes and contributions received in the current year that are related to events of the subsequent year.

	2016	2015
	\$	\$
Casino	149,993	78,139
Harley Raffle	169,184	101,826
MDA Raffle	1,508	1,508
Government of Canada	—	4,016
Community Programs	66,773	61,730
Alberta Sport Connection	25,475	26,739
SO Canada	44,297	7,302
Skate Canada	6,341	13,940
	463,571	295,200

5. Contingency fund

In 2008, the Association's Board of Directors internally restricted \$75,000 of net assets to be used as a contingency fund.

During the year ended June 30, 2014, the Association received an unrestricted contribution of \$600,000 from a personal estate. The Board of Directors resolved to internally restrict the contribution, plus interest earned on the investment of the funds, in the contingency fund.

6. Contributed services

The Association's office premises are provided by an unrelated party on a rent-free basis. The Association has attributed a fair value of \$15,000 [2015 – \$15,000] to these services. The amount recorded in general revenue is offset by the cost, which is allocated to expense categories as outlined in Schedule 2.

7. Related party transactions

During the year, the Association normally has transactions with the following related parties:

- Provincial affiliates
- Special Olympics Canada Inc., the national governing body

All related party transactions have been recorded at their agreed upon exchange amounts. Revenue received from provincial affiliates is recorded in various categories. Grants, revenue sharing and eligible program expenses are recorded as affiliate development expenses. Accreditation fees and insurance expenses are allocated to expense categories as outlined in Schedule 2.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

Transactions during the year were as follows:

Provincial affiliates

	2016	2015
	\$	\$
Revenue	56,697	73,948
Expenses		
Direct sport programs and events expenses	6,272	67,690
Grants, revenue sharing and eligible program expenses	318,337	424,277
	324,609	491,967

Special Olympics Canada Inc.

	2016	2015
	\$	\$
Expenses		
Accreditation fees	14,718	24,915
Insurance	5,099	5,258
	19,817	30,173

Accounts receivable

The following amounts are owing from Special Olympics Canada Inc. and provincial affiliates related to program expenses the Association has incurred on their behalf:

	2016	2015
	\$	\$
Special Olympics Canada Inc.	59,116	139,131
Special Olympics Edmonton	24,884	15,359
Special Olympics Calgary	38,826	22,930
Other affiliates	26,768	1,736
	149,594	179,156

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include nil [2015 – \$63,548] owing to provincial affiliates as at June 30, 2016.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

8. Revenue

	2016	2015
	\$	\$
Government funding revenue		
Alberta Sport Connection – other		
High Performance	30,000	30,000
General revenue		
Foundations		
Special Olympics Canada Foundation	143,836	128,000
Other foundations	35,250	15,000
	179,086	143,000

9. Allocated costs

	2016	2015
	\$	\$
Salaries and benefits	530,816	530,598
Administrative expenses	54,549	64,242
Telephone and technology	21,854	24,561
Accreditation fees	14,718	24,915
Amortization of capital assets	13,726	5,245
Loss on disposal of capital assets	—	397
	635,663	649,958

Special Olympics Alberta Association

Notes to financial statements

June 30, 2016

10. Financial instruments

The Association is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Association is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Association monitors outstanding balances regularly and allows for uncollectible amounts when determined.

Interest rate risk

The Association is subject to interest rate price risk to the extent that its short-term investments contain fixed rate guaranteed investment certificates. The risk is expected to be low given the highly liquid nature of the instruments and their relatively short terms to maturity.

Liquidity risk

The Association is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities.

