

Special Olympics Alberta Association

June 30, 2018



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, 2018, 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, 2018, 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,
October 4, 2018

Ernst & Young LLP

Chartered Professional Accountants



Special Olympics Alberta Association

Statement of financial position

	As at June 30	
	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,287,446	1,434,265
Investments <i>[note 3]</i>	1,197,832	1,166,153
Accounts receivable <i>[note 8]</i>	136,448	322,633
Goods and Services Tax recoverable	18,816	11,986
Prepaid expenses	7,331	109,481
Total current assets	2,647,873	3,044,518
Capital assets, net <i>[note 4]</i>	12,214	29,262
	2,660,087	3,073,780
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 8]</i>	102,423	86,666
Deferred contributions <i>[note 5]</i>	502,324	925,538
Current portion of capital lease obligation	381	1,557
Total current liabilities	605,128	1,013,761
Capital lease obligation	—	450
Total liabilities	605,128	1,014,211
Net assets		
Internally funded capital assets	11,833	27,255
Contingency fund <i>[note 6]</i>	1,112,601	1,081,720
Unrestricted	930,525	950,594
Total net assets	2,054,959	2,059,569
	2,660,087	3,073,780

See accompanying notes

On behalf of the Board:

Director

Director

Special Olympics Alberta Association

Statement of changes in net assets

	Year ended June 30 2018			
	Internally restricted		Unrestricted	Total
	Internally funded capital assets	Contingency fund		
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	27,255	1,081,720	950,594	2,059,569
Deficiency of revenue over expenses	—	—	(4,610)	(4,610)
Amortization of capital assets	(17,048)	—	17,048	—
Repayment of capital lease obligation	1,626	—	(1,626)	—
Transfer to contingency fund	—	30,881	(30,881)	—
Balance, end of the year	11,833	1,112,601	930,525	2,054,959

	Year ended June 30 2017			
	Internally restricted		Unrestricted	Total
	Internally funded capital assets	Contingency fund		
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	48,224	688,763	944,638	1,681,625
Excess of revenue over expenses	—	—	377,944	377,944
Purchases of capital assets	2,386	—	(2,386)	—
Amortization of capital assets	(24,981)	—	24,981	—
Repayment of capital lease obligation	1,626	—	(1,626)	—
Transfer to contingency fund	—	392,957	(392,957)	—
Balance, end of the year	27,255	1,081,720	950,594	2,059,569

See accompanying notes

Special Olympics Alberta Association

Statement of operations

	Year ended June 30	
	2018	2017
	\$	\$
Revenue [schedule 1]		
National Sponsors	188,749	237,287
General Donations	477,170	448,260
Government Funding [note 7]	386,180	450,989
Events	133,619	135,267
Alberta Gaming & Liquor Commission	631,019	186,401
Foundations	263,567	196,065
Other Revenue	16,667	3,750
	2,096,971	1,658,019
Expenses [schedule 2]		
Sport Programs and Events	141,722	195,192
Unified Sports Programs	55,036	49,007
Provincial Games	387,285	95,710
Team Alberta (National Games)	310,705	100,597
Affiliate Services	511,249	382,760
Communications	111,436	100,279
Fund Development	292,222	225,432
Law Enforcement Torch Run	107,073	95,684
Alberta Gaming & Liquor Commission	204,290	83,541
Administration	17,323	1,158
	2,138,341	1,329,360
Excess (deficiency) of revenue over expenses before other	(41,370)	328,659
Other revenue (expenses)		
Investment income [note 3]	47,359	55,660
Investment management fees	(10,599)	(6,375)
	36,760	49,285
Excess (deficiency) of revenue over expenses	(4,610)	377,944

See accompanying notes

Special Olympics Alberta Association

Statement of cash flows

	Year ended June 30	
	2018	2017
	\$	\$
Cash provided by (used in) operating activities		
Excess of revenue over expenses	(4,610)	377,944
Add (deduct) items not affecting cash:		
Change in fair value of investments	(31,679)	(25,993)
Amortization of capital assets	17,048	24,981
	<u>(19,241)</u>	<u>376,932</u>
Changes in non-cash working capital balances:		
Accounts receivable	186,185	(167,046)
Goods and Services Tax recoverable	(6,830)	9,877
Prepaid expenses	102,150	(105,341)
Accounts payable and accrued liabilities	15,757	43,048
Deferred contributions	(423,214)	461,967
	<u>(145,193)</u>	<u>619,437</u>
Cash used in investing activities		
Purchases of investments	—	(367,757)
Purchases of capital assets	—	(2,386)
	<u>—</u>	<u>(370,143)</u>
Cash used in financing activities		
Repayment of capital lease obligation	(1,626)	(1,626)
	<u>(1,626)</u>	<u>(1,626)</u>
Net increase (decrease) in cash during the year	(146,819)	247,668
Cash and cash equivalents, beginning of the year	1,434,265	1,186,597
Cash and cash equivalents, end of the year	1,287,446	1,434,265

See accompanying notes

Schedule of revenue

	Year ended June 30	
	2018	2017
	\$	\$
National Sponsors		
Staples	37,538	64,372
Home Hardware	14,000	14,000
Wolseley	4,250	5,000
Sobeys	23,000	25,427
Signature Authentics	77,116	95,813
Tim Horton's	18,500	18,500
Other	14,345	14,175
	188,749	237,287
Donations		
Service clubs	405	4,500
Memorial contributions	1,000	348,776
Provincial Games	278,589	56,056
Community Program Revenue	3,426	8,482
Draft an Athlete	57,762	—
Personal Best	107,452	—
Other	28,536	30,446
	477,170	448,260
Government Funding		
Alberta Sport Connection – annual	119,267	92,528
Alberta Sport Connection – other	30,000	30,000
Rent (gift-in-kind) [note 7]	15,000	15,000
Government of Canada	218,883	313,461
Municipal	3,030	—
	386,180	450,989
Events		
Law Enforcement Torch Run	133,619	135,267
	133,619	135,267
Alberta Gaming & Liquor Commission		
Casino	431,753	54,000
BMW Raffle	52,636	4,209
MDA Golf Classic	—	2,895
Harley Raffle	146,630	125,297
	631,019	186,401
Foundations		
Foundations	263,567	196,065
	263,567	196,065
Other Revenue		
Miscellaneous	16,667	3,750
Total revenue	2,096,971	1,658,019

See accompanying notes

Schedule of expenses by department

	Year ended June 30	
	2018	2017
	\$	\$
Sport Programs and Events		
Direct sport programs and events expenses	47,778	99,611
Sport programs and events salaries and benefits	46,363	49,026
Allocated costs	47,581	46,555
	<u>141,722</u>	<u>195,192</u>
Unified Sport Programs		
Direct unified sport program expenses	42,700	35,000
Unified sport program salaries and benefits	12,336	14,007
	<u>55,036</u>	<u>49,007</u>
Provincial Games		
Direct provincial games expenses	349,064	56,056
Provincial games salaries and benefits	26,326	28,015
Allocated costs	11,895	11,639
	<u>387,285</u>	<u>95,710</u>
Team Alberta (National Games)		
Direct Team Alberta expenses	205,435	278
Team Alberta salaries and benefits	81,479	77,041
Allocated costs	23,791	23,278
	<u>310,705</u>	<u>100,597</u>
Affiliate Services		
Direct affiliate services expenses	246,512	135,465
Affiliate services salaries and benefits	205,261	189,101
Allocated costs	59,476	58,194
	<u>511,249</u>	<u>382,760</u>
Communications		
Direct communications expenses	6,743	2,329
Communications salaries and benefits	69,007	63,034
Allocated costs	35,686	34,916
	<u>111,436</u>	<u>100,279</u>

See accompanying notes

Schedule of expenses by department [cont'd]

	Year ended June 30	
	2018	2017
	\$	\$
Fund Development		
Direct fund development expenses	86,025	66,817
Fund development salaries and benefits	158,616	112,060
Allocated costs	47,581	46,555
	292,222	225,432
Law Enforcement Torch Run		
Law Enforcement Torch Run salaries and benefits	95,129	84,045
Allocated costs	11,944	11,639
	107,073	95,684
Alberta Gaming & Liquor Commission		
Direct Alberta Gaming & Liquor Commission expenses	204,290	83,541
	204,290	83,541
Administration		
Direct administration expenses	138,892	120,470
Administration salaries and benefits	99,288	88,483
Amortization of capital assets	17,048	24,981
Allocated costs	(237,905)	(232,776)
	17,323	1,158
Total expenses	2,138,341	1,329,360

See accompanying notes

Special Olympics Alberta Association

Notes to financial statements

June 30, 2018

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 *CPA Canada Handbook – Accounting*, "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, as 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.

Investment income, which consists of interest and dividends including income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2018

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 held for liquidity purposes 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	3 years straight-line
Office equipment	10% declining balance and 5 years straight-line

Intangible

Website	3 years straight-line
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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. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

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, 2018

3. Investments

	2018 \$	2017 \$
Cash	14,687	15,419
GICs	160,231	159,433
Fixed income Canada	680,950	529,903
Equities		
Canada	214,901	345,298
United States	33,759	69,087
Other international	93,304	47,013
	341,964	461,398
	1,197,832	1,166,153

	2018 \$	2017 \$
Investment income consists of the following:		
Interest	6,338	4,231
Dividends	37,701	24,402
Realized and unrealized gains	3,320	27,027
	47,359	55,660

4. Capital assets

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	33,257	26,834	6,423
Office equipment	14,552	8,761	5,791
	47,809	35,595	12,214
Intangible			
Website	12,300	12,300	—
	60,109	47,895	12,214

Special Olympics Alberta Association

Notes to financial statements

June 30, 2018

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	33,257	15,833	17,424
Office equipment	14,552	6,814	7,738
	<u>47,809</u>	<u>22,647</u>	<u>25,162</u>
Intangible			
Website	12,300	8,200	4,100
	<u>60,109</u>	<u>30,847</u>	<u>29,262</u>

Assets under capital lease with a cost of \$7,005 [2017 – \$7,005] and accumulated amortization of \$5,539 [2017 – \$4,072] are included in office equipment.

5. 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.

	2018	2017
	\$	\$
Casino	160,465	281,810
Harley Raffle	169,534	115,019
BMW Raffle	—	36,081
Calgary Summer Games	25,000	—
Medicine Hat Summer Games	62,853	406,314
Community Programs	64,631	66,473
SO Canada	13,500	13,500
Skate Canada	6,341	6,341
	<u>502,324</u>	<u>925,538</u>

6. 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, and during the year ended June 30, 2017, received an additional unrestricted contribution of \$347,904 from a personal estate. The Board of Directors has resolved to internally restrict these contributions, plus income earned on the investment of the funds, in the contingency fund.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2018

7. 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 [2017 – \$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.

8. 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. 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.

Transactions during the year were as follows:

Provincial affiliates

	2018	2017
	\$	\$
Expenses		
Direct sport programs and events expenses	32,803	22,442
Grants, revenue sharing and eligible program expenses	88,334	140,673
	<u>121,137</u>	<u>163,115</u>

Special Olympics Canada Inc.

	2018	2017
	\$	\$
Expenses		
Accreditation fees	6,542	5,689
Insurance	5,752	5,472
	<u>12,294</u>	<u>11,161</u>

Special Olympics Alberta Association

Notes to financial statements

June 30, 2018

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:

	2018	2017
	\$	\$
Special Olympics Canada Inc.	63,828	184,596
Special Olympics Edmonton	33,292	30,322
Special Olympics Calgary	23,078	51,686
Other affiliates	3,218	12,325
	<u>123,416</u>	<u>278,929</u>

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$20,276 [2017 – \$27,749] owing to provincial affiliates as at June 30, 2018.

9. Allocated costs

	2018	2017
	\$	\$
Salaries and benefits	99,288	88,483
Administrative expenses	113,697	117,831
Telephone and technology	18,378	20,773
Accreditation fees	6,542	5,689
	<u>237,905</u>	<u>232,776</u>

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 risk with respect to its short-term and fixed income investments because the fair value will fluctuate due to changes in market interest rates.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2018

Liquidity risk

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

Other pricing risk

The Association is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.