

Special Olympics Alberta Association

Financial statements
June 30, 2021

DRAFT

Independent auditor's report

To the Members of
Special Olympics Alberta Association

Qualified opinion

We have audited the financial statements of **Special Olympics Alberta Association** [the "Association"], which comprise the statement of financial position as at June 30, 2021, and the statement of changes in net assets, statement of operations, and statement of 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 Association as at June 30, 2021, and its results of 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 Association derives a portion of its revenue from donations, fundraising and special projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were unable to determine whether any adjustments for unrecorded revenue might be necessary to revenue, excess of revenue over expenses, unrestricted net assets and cash provided by (used in) operating activities.

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 Association 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 opinion.

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 the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

Edmonton, Canada
September 13, 2021

Chartered Professional Accountants

Special Olympics Alberta Association

Statement of financial position

As at June 30

	2021	2020
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,768,402	1,364,585
Investments <i>[note 3]</i>	1,238,893	1,117,440
Accounts receivable <i>[note 7]</i>	577,507	473,639
Goods and services tax receivable	4,568	7,702
Prepaid expenses	6,483	8,072
Total current assets	3,595,853	2,971,438
Capital assets, net <i>[note 4]</i>	34,947	3,562
	3,630,800	2,975,000
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities <i>[note 7]</i>	119,752	171,687
Deferred contributions <i>[note 5]</i>	963,466	698,243
Total liabilities	1,083,218	869,930
Net assets		
Internally funded capital assets	34,947	3,562
Contingency fund <i>[note 6]</i>	1,280,988	1,160,085
Unrestricted	1,231,647	941,423
Total net assets	2,547,582	2,105,070
	3,630,800	2,975,000

See accompanying notes

On behalf of the Board:

Director

Director

Special Olympics Alberta Association

Statement of changes in net assets

Year ended June 30

	2021			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	3,562	1,160,085	941,423	2,105,070
Excess of revenue over expenses for the year	—	—	442,512	442,512
Amortization of capital assets	(6,400)	—	6,400	—
Additions of capital assets	37,785	—	(37,785)	—
Transfer to contingency fund	—	120,903	(120,903)	—
Balance, end of the year	34,947	1,280,988	1,231,647	2,547,582

	2020			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	999	1,149,602	919,421	2,070,022
Excess of revenue over expenses for the year	—	—	35,048	35,048
Amortization of capital assets	(1,435)	—	1,435	—
Additions of capital assets	3,998	—	(3,998)	—
Transfer to contingency fund	—	10,483	(10,483)	—
Balance, end of the year	3,562	1,160,085	941,423	2,105,070

See accompanying notes

Special Olympics Alberta Association

Statement of operations

Year ended June 30

	2021	2020
	\$	\$
Revenue <i>[schedule 1]</i>		
National sponsors	555,339	284,370
General donations	98,327	155,829
Government funding <i>[note 10]</i>	635,549	406,875
Events	116,964	111,148
Alberta Gaming, Liquor and Cannabis Commission	38,431	196,259
Foundations	80,155	300,184
Other income	10,550	16,423
	1,535,315	1,471,088
Expenses <i>[schedule 2]</i>		
Sport programs and events	160,445	155,324
Unified sports programs	128,170	92,232
Provincial games	29,939	32,297
Team Alberta <i>[national games]</i>	(438)	203,716
Affiliate services	283,895	468,612
Communications	77,192	91,000
Fund development	334,986	288,567
Law Enforcement Torch Run	99,094	114,447
Alberta Gaming, Liquor and Cannabis Commission	138	(3,005)
Administration	102,909	11,778
	1,216,330	1,454,968
Excess of revenue over expenses before other income	318,985	16,120
Other income (expenses)		
Investment income <i>[note 3]</i>	135,116	29,925
Investment management fees	(11,589)	(10,997)
	123,527	18,928
Excess of revenue over expenses for the year	442,512	35,048

See accompanying notes

Special Olympics Alberta Association

Statement of cash flows

Year ended June 30

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	442,512	35,048
Add (deduct) items not affecting cash		
Change in fair value of investments	(121,453)	(11,087)
Amortization of capital assets	6,400	1,435
	<u>327,459</u>	<u>25,396</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(103,868)	(215,274)
Goods and services tax receivable	3,134	22,461
Prepaid expenses	1,589	(1,732)
Accounts payable and accrued liabilities	(51,935)	69,823
Deferred contributions	265,223	84,134
Cash provided by (used in) operating activities	<u>441,602</u>	<u>(15,192)</u>
Investing activities		
Additions to capital assets	(37,785)	(3,998)
Cash provided by investing activities	<u>(37,785)</u>	<u>(3,998)</u>
Net increase (decrease) in cash during the year	403,817	(19,190)
Cash and cash equivalents, beginning of the year	1,364,585	1,383,775
Cash and cash equivalents, end of the year	<u>1,768,402</u>	<u>1,364,585</u>

See accompanying notes

Schedule of revenue

Year ended June 30

	2021	2020
	\$	\$
National sponsors		
Sobeys	475,115	170,682
Signature Authentics	32,969	44,383
Tim Horton's	18,500	33,670
Home Hardware	14,000	14,000
Other	10,505	2,455
Wolseley	4,250	4,250
Staples	—	14,930
	555,339	284,370
General donations		
Other	68,877	69,242
Provincial games	28,650	—
Community program revenue	800	6,566
Memorial contributions	—	25
Draft an Athlete	—	38,250
Personal Best	—	41,746
	98,327	155,829
Government funding		
Government of Canada <i>[note 10]</i>	533,911	288,974
Alberta Government – Ministry of Culture, Multiculturalism & Status of Women – Core	41,638	87,901
Alberta Government – Ministry of Culture, Multiculturalism & Status of Women – Other	40,000	30,000
Government of Alberta – Covid emergency relief funds for sport organizations	20,000	—
	635,549	406,875
Events		
Law Enforcement Torch Run	97,479	111,148
Titanium Man	19,485	—
	116,964	111,148
Alberta Gaming, Liquor and Cannabis Commission		
Raffles	33,852	—
Casino	4,579	177,110
Law Enforcement Torch Run - Harley Raffle	—	19,149
	38,431	196,259
Foundations		
Special Olympics Canada Inc. Foundation - Motionball	53,160	—
Special Olympics Canada Inc. Foundation	24,495	288,184
Harry Red Foster	2,500	12,000
	80,155	300,184
Other income		
Canadian Tire Jumpstart Grant	10,000	—
Miscellaneous	550	16,423
Total revenue	1,535,315	1,471,088

See accompanying notes

Schedule of expenses by department

Year ended June 30

	2021	2020
	\$	\$
Sport programs and events		
Direct sport programs and events expenses	45,668	59,790
Sport programs and events salaries and benefits	93,458	61,747
Allocated costs	21,319	33,787
	160,445	155,324
Unified sport programs		
Direct unified sport programs expenses	84,372	60,549
Unified sport programs salaries and benefits	43,798	31,683
	128,170	92,232
Provincial games		
Direct provincial games expenses	—	643
Provincial games salaries and benefits	25,675	23,207
Allocated costs	4,264	8,447
	29,939	32,297
Team Alberta [national games]		
Direct Team Alberta expenses	—	163,339
Team Alberta salaries and benefits	(438)	23,484
Allocated costs	—	16,893
	(438)	203,716
Affiliate services		
Direct affiliate services expenses	46,222	168,463
Affiliate services salaries and benefits	207,827	257,915
Allocated costs	29,846	42,234
	283,895	468,612
Communications		
Direct communications expenses	5,699	4,651
Communications salaries and benefits	58,702	61,009
Allocated costs	12,791	25,340
	77,192	91,000

See accompanying notes

Schedule of expenses by department [continued]

Year ended June 30

	2021	2020
	\$	\$
Fund development		
Direct fund development expenses	178,477	123,158
Fund development salaries and benefits	143,718	131,622
Allocated costs	12,791	33,787
	334,986	288,567
Law Enforcement Torch Run		
Direct law enforcement torch run expenses	714	—
Law Enforcement Torch Run salaries and benefits	94,117	101,456
Allocated costs	4,263	12,991
	99,094	114,447
Alberta Gaming, Liquor and Cannabis Commission		
Direct Alberta Gaming, Liquor & Cannabis Commission expenses	138	(3,005)
	138	(3,005)
Administration		
Direct administration expenses	122,960	115,144
Administration salaries and benefits	58,823	64,134
Amortization of capital assets	6,400	1,435
Allocated costs [note 8]	(85,274)	(168,935)
	102,909	11,778
Total expenses	1,216,330	1,454,968

See accompanying notes

Special Olympics Alberta Association

Notes to financial statements

June 30, 2021

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. Summary of 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 as the event or activities occur. 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, 2021

Government assistance

Amounts received or receivable resulting from government assistance are reflected as revenue when the Association becomes eligible to receive assistance in accordance with the eligibility criteria of the respective funding programs, provided that there is reasonable assurance the benefits will be realized.

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	30% declining balance
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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. For the year ended June 30, 2021, an amount of \$23,470 [2020 – \$19,390] was recognized as an expense.

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.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2021

Financial instruments

The Association initially records a financial instrument at its fair value, except for related party transactions, which are recorded at the carrying or exchange amount depending on the circumstances. The Association recognizes its transaction costs in the statement of operations in the period incurred.

Subsequently, the Association measures financial instruments as follows:

- financial assets including cash and cash equivalents, accounts receivable, and goods and services tax receivable, at amortized cost;
- investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred; and
- all financial liabilities, which includes accounts payable and accrued liabilities and deferred contributions, at amortized cost.

Impairment of financial assets

When there are indications of possible impairment, the Association determines if there has been a significant adverse change to the expected timing or amount of future cash flows expected from the financial asset. The amount of any impairment loss is determined by comparing the carrying amount of the financial asset with the highest of three amounts:

- The present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to that asset;
- The amount that could be realized by selling the asset at the statement of financial position date; and
- The amount the Association expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

A previously recognized impairment loss is reversed to the extent that the improvement can be related to an event occurring after the impairment was recognized, but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2021

3. Investments

	2021 \$	2020 \$
Cash	16,119	15,860
Guaranteed investment certificates	32,905	32,355
Fixed income		
Canada	732,924	717,388
Equities		
Canada	231,385	167,277
United States	56,062	42,275
Other international	169,498	142,285
	<u>456,945</u>	<u>351,837</u>
	<u>1,238,893</u>	<u>1,117,440</u>
	2021 \$	2020 \$
Investment income consists of the following:		
Interest	2,624	8,445
Dividends	32,425	41,080
Realized and unrealized gains (losses)	100,067	(19,600)
	<u>135,116</u>	<u>29,925</u>

4. Capital assets

	2021		
	Cost \$	Accumulated amortization \$	Net book value \$
Tangible			
Computer equipment	75,040	40,093	34,947
Intangible			
Website	12,300	12,300	—
	<u>87,340</u>	<u>52,393</u>	<u>34,947</u>

Special Olympics Alberta Association

Notes to financial statements

June 30, 2021

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	37,255	33,693	3,562
	37,255	33,693	3,562
Intangible			
Website	12,300	12,300	—
	49,555	45,993	3,562

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.

	2021	2020
	\$	\$
Alberta Gaming, Liquor and Cannabis Commission	526,945	331,913
Special Olympics Canada Inc.	136,488	84,413
Harley Raffle	118,364	118,364
Community Programs	72,475	94,359
Medicine Hat Summer Games	62,853	62,853
Government of Alberta	40,000	—
Skate Canada	6,341	6,341
	963,466	698,243

Deferred contributions include \$72,475 [2020 - \$94,359] of amounts held on behalf of provincial affiliates, and \$28,102 [2020 – nil] of unamortized amounts that were spent on capital items.

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, 2021

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. 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

	2021	2020
	\$	\$
Expenses		
Sport programs and events expenses	7,603	30,928
Grants, revenue sharing and eligible program expenses	173,448	118,051
Affiliate support	247,151	437,831
	428,202	586,810

Special Olympics Canada Inc.

	2021	2020
	\$	\$
Expenses		
Accreditation fees	10,231	13,400
Insurance	1,170	5,720
	11,401	19,120

Special Olympics Alberta Association

Notes to financial statements

June 30, 2021

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:

	2021 \$	2020 \$
Special Olympics Canada Inc.	375,954	286,651
Special Olympics Edmonton	42,345	34,002
Special Olympics Calgary	38,106	17,044
Other affiliates	250	1,589
	<u>456,655</u>	<u>339,286</u>

Offsetting the accounts receivable balances are amounts of \$40,022 [2020 - \$27,235] owing to Special Olympics Edmonton and \$38,432 [2020 - \$31,068] owing to Special Olympics Calgary related to amounts for the Canadian Emergency Wage Subsidy that will be applied against the accounts receivable.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$1,515 [2020 – \$72,787] owing to provincial affiliates and nil [2020 – \$5,720] owing to Special Olympics Canada Inc. as at June 30, 2021.

8. Allocated costs

	2021 \$	2020 \$
Salaries and benefits	58,823	64,134
Administrative expenses and telephone and technology	16,220	91,401
Accreditation fees	10,231	13,400
	<u>85,274</u>	<u>168,935</u>

9. Financial instruments and risk management

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.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2021

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.

Liquidity risk

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

Other price risk

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

10. Government assistance

During the year, the Association applied for the related Canadian Emergency Wage Subsidy ["CEWS"] and the Canada Emergency Rent Subsidy ["CERS"] in the amounts of \$255,776 [2020 - \$103,435] and \$9,015 [2020 - \$nil], respectively. These programs were implemented by the Canadian government to assist Canadian organizations that were negatively impacted by the coronavirus disease ["COVID-19"]. These amounts have been included in the Government of Canada funding revenue. Included in accounts receivable is \$85,310 [2020 - \$103,435] for CEWS and \$5,226 [2020 - \$nil] for CERS related to amounts receivable under the programs.

11. COVID-19

The outbreak of the Coronavirus disease ["COVID-19"] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruptions to businesses and organizations globally, resulting in an economic slowdown. During the year, the Association, in response to public health restrictions, deferred a number of events and fundraising activities, which resulted in a reduction in certain revenues and expenses. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Association in future periods.