

Special Olympics Alberta Association

June 30, 2019

Independent auditors' 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, 2019, and the statement of operations, statement of changes in net assets 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, 2019, 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 non-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 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 17, 2019

Chartered Professional Accountants

Special Olympics Alberta Association

Statement of financial position

As at June 30

	2019	2018
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,383,775	1,287,446
Investments <i>[note 3]</i>	1,106,353	1,197,832
Accounts receivable <i>[note 8]</i>	258,365	136,448
Goods and Services Tax recoverable	30,164	18,816
Prepaid expenses	6,340	7,331
Total current assets	2,784,997	2,647,873
Capital assets, net <i>[note 4]</i>	999	12,214
	2,785,996	2,660,087
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 8]</i>	101,866	102,423
Deferred contributions <i>[note 5]</i>	614,109	502,324
Current portion of capital lease obligation	—	381
Total liabilities	715,975	605,128
Net assets		
Internally funded capital assets	999	11,833
Contingency fund <i>[note 6]</i>	1,149,602	1,112,601
Unrestricted	919,420	930,525
Total net assets	2,070,021	2,054,959
	2,785,996	2,660,087

See accompanying notes

On behalf of the Board:

Director

Director

Special Olympics Alberta Association

Statement of changes in net assets

Year ended June 30

	2019			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	11,833	1,112,601	930,525	2,054,959
Excess of revenue over expenses	—	—	15,062	15,062
Amortization of capital assets	(7,129)	—	7,129	—
Disposal of capital assets	(4,086)	—	4,086	—
Repayment of capital lease obligation	381	—	(381)	—
Transfer to contingency fund	—	37,001	(37,001)	—
Balance, end of the year	999	1,149,602	919,420	2,070,021

	2018			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<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

See accompanying notes

Special Olympics Alberta Association

Statement of operations

Year ended June 30

	2019	2018
	\$	\$
Revenue <i>[schedule 1]</i>		
National Sponsors	296,280	188,749
General Donations	247,911	477,170
Government Funding <i>[note 7]</i>	431,798	386,180
Events	124,752	133,619
Alberta Gaming & Liquor Commission	289,952	631,019
Foundations	300,821	263,567
Other Revenue	26,270	16,667
	<u>1,717,783</u>	<u>2,096,971</u>
Expenses <i>[schedule 2]</i>		
Sport Programs and Events	210,979	141,722
Unified Sports Programs	65,827	55,036
Provincial Games	286,867	387,285
Team Alberta (National Games)	150,498	310,705
Affiliate Services	515,062	511,249
Communications	106,393	111,436
Fund Development	221,053	292,222
Law Enforcement Torch Run	99,814	107,073
Alberta Gaming & Liquor Commission	82,158	204,290
Administration	9,384	17,323
	<u>1,748,034</u>	<u>2,138,341</u>
Deficiency of revenue over expenses before other	<u>(30,251)</u>	<u>(41,370)</u>
Other revenue (expenses)		
Investment income <i>[note 3]</i>	56,122	47,359
Investment management fees	(10,809)	(10,599)
	<u>45,313</u>	<u>36,760</u>
Excess (deficiency) of revenue over expenses	<u>15,062</u>	<u>(4,610)</u>

See accompanying notes

Special Olympics Alberta Association

Statement of cash flows

Year ended June 30

	2019	2018
	\$	\$
Cash provided by (used in) operating activities		
Excess (deficiency) of revenue over expenses	15,062	(4,610)
Add (deduct) items not affecting cash:		
Change in fair value of investments	91,479	(31,679)
Amortization of capital assets	7,129	17,048
Loss on disposal of capital assets	1,937	—
	<u>115,606</u>	<u>(19,241)</u>
Changes in non-cash working capital balances:		
Accounts receivable	(121,917)	186,185
Goods and Services Tax recoverable	(11,348)	(6,830)
Prepaid expenses	991	102,150
Accounts payable and accrued liabilities	(557)	15,757
Deferred contributions	111,785	(423,214)
	<u>94,560</u>	<u>(145,193)</u>
Cash provided by investing activities		
Proceeds on sale of fixed assets	2,150	—
	<u>2,150</u>	<u>—</u>
Cash used in financing activities		
Repayment of capital lease obligation	(381)	(1,626)
	<u>(381)</u>	<u>(1,626)</u>
Net increase (decrease) in cash during the year	96,329	(146,819)
Cash and cash equivalents, beginning of the year	1,287,446	1,434,265
Cash and cash equivalents, end of the year	<u>1,383,775</u>	<u>1,287,446</u>

See accompanying notes

Schedule of revenue

Year ended June 30

	2019	2018
	\$	\$
National Sponsors		
Staples	57,683	37,538
Home Hardware	14,000	14,000
Wolseley	4,250	4,250
Sobeys	126,433	23,000
Signature Authentics	61,778	77,116
Tim Horton's	32,135	18,500
Other	—	14,345
	296,280	188,749
Donations		
Service clubs	—	405
Memorial contributions	25,269	1,000
Provincial Games	76,050	278,589
Community Program Revenue	13,657	3,426
Draft an Athlete	4,000	57,762
Personal Best	11,199	107,452
Other	117,737	28,536
	247,911	477,170
Government Funding		
Alberta Sport Connection – annual	92,528	119,267
Alberta Sport Connection – other	30,000	30,000
Rent (gift-in-kind) [note 7]	6,251	15,000
Government of Canada	253,019	218,883
Government of Alberta	50,000	—
Municipal	—	3,030
	431,798	386,180
Events		
Law Enforcement Torch Run	124,752	133,619
	124,752	133,619
Alberta Gaming & Liquor Commission		
Casino	182,803	431,753
BMW Raffle	—	52,636
Harley Raffle	107,150	146,630
	289,952	631,019
Foundations		
Foundations	300,821	263,567
	300,821	263,567
Other Revenue		
Miscellaneous	26,270	16,667
Total revenue	1,717,783	2,096,971

See accompanying notes

Schedule of expenses by department

Year ended June 30

	2019	2018
	\$	\$
Sport Programs and Events		
Direct sport programs and events expenses	75,186	47,778
Sport programs and events salaries and benefits	84,298	46,363
Allocated costs	51,495	47,581
	210,979	141,722
Unified Sport Programs		
Direct unified sport program expenses	52,981	42,700
Unified sport program salaries and benefits	12,846	12,336
	65,827	55,036
Provincial Games		
Direct provincial games expenses	239,918	349,064
Provincial games salaries and benefits	34,075	26,326
Allocated costs	12,874	11,895
	286,867	387,285
Team Alberta (National Games)		
Direct Team Alberta expenses	74,279	205,435
Team Alberta salaries and benefits	50,472	81,479
Allocated costs	25,748	23,791
	150,498	310,705
Affiliate Services		
Direct affiliate services expenses	208,607	246,512
Affiliate services salaries and benefits	242,085	205,261
Allocated costs	64,369	59,476
	515,062	511,249
Communications		
Direct communications expenses	4,782	6,743
Communications salaries and benefits	62,990	69,007
Allocated costs	38,622	35,686
	106,393	111,436

See accompanying notes

Schedule of expenses by department [cont'd]

Year ended June 30

	2019	2018
	\$	\$
Fund Development		
Direct fund development expenses	99,052	86,025
Fund development salaries and benefits	70,505	158,616
Allocated costs	51,495	47,581
	<u>221,053</u>	<u>292,222</u>
Law Enforcement Torch Run		
Law Enforcement Torch Run salaries and benefits	85,333	95,129
Allocated costs	14,482	11,944
	<u>99,814</u>	<u>107,073</u>
Alberta Gaming & Liquor Commission		
Direct Alberta Gaming & Liquor Commission expenses	82,158	204,290
	<u>82,158</u>	<u>204,290</u>
Administration		
Direct administration expenses	146,506	138,892
Administration salaries and benefits	92,727	99,288
Amortization of capital assets	7,129	17,048
Allocated costs [note 9]	(236,977)	(237,905)
	<u>9,384</u>	<u>17,323</u>
Total expenses	<u>1,748,034</u>	<u>2,138,341</u>

See accompanying notes

Special Olympics Alberta Association

Notes to Financial Statements

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 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

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

3. Investments

	2019 \$	2018 \$
Cash	15,015	14,687
GICs	31,752	160,231
Fixed income		
Canada	733,260	680,950
Equities		
Canada	188,917	214,901
United States	35,607	33,759
Other international	101,802	93,304
	<u>326,326</u>	<u>341,964</u>
	<u>1,106,353</u>	<u>1,197,832</u>
	2019 \$	2018 \$
Investment income consists of the following:		
Interest	8,759	6,338
Dividends	37,705	37,701
Realized and unrealized gains	9,658	3,320
	<u>56,122</u>	<u>47,359</u>

4. Capital assets

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	33,257	32,258	999
Office equipment	7,005	7,005	-
	<u>40,262</u>	<u>39,263</u>	<u>999</u>
Intangible			
Website	12,300	12,300	-
	<u>52,562</u>	<u>51,563</u>	<u>999</u>

Special Olympics Alberta Association

Notes to Financial Statements

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

Assets under capital lease with a cost of \$7,005 [2018 – \$7,005] and accumulated amortization of \$7,005 [2018 – \$5,539] 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.

	2019	2018
	\$	\$
Casino	255,307	160,465
Harley Raffle	206,508	169,534
Calgary Summer Games	-	25,000
Medicine Hat Summer Games	62,853	62,853
Community Programs	83,083	64,631
SO Canada	-	13,500
Skate Canada	6,358	6,341
	<u>614,109</u>	<u>502,324</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

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 nil [2018 – \$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

	2019	2018
	\$	\$
Expenses		
Direct sport programs and events expenses	46,816	32,803
Grants, revenue sharing and eligible program expenses	179,055	88,334
	<u>225,871</u>	<u>121,137</u>

Special Olympics Canada Inc.

	2019	2018
	\$	\$
Expenses		
Accreditation fees	13,676	6,542
Insurance	5,696	5,752
	<u>19,372</u>	<u>12,294</u>

Special Olympics Alberta Association

Notes to Financial Statements

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:

	2019	2018
	\$	\$
Special Olympics Canada Inc.	155,620	63,828
Special Olympics Edmonton	36,924	33,292
Special Olympics Calgary	41,482	23,078
Other affiliates	8,551	3,218
	<u>242,577</u>	<u>123,416</u>

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$18,493 [2018 – \$20,276] owing to provincial affiliates as at June 30, 2019.

9. Allocated costs

	2019	2018
	\$	\$
Salaries and benefits	92,727	99,288
Administrative expenses	107,619	113,697
Telephone and technology	22,955	18,378
Accreditation fees	13,676	6,542
	<u>236,977</u>	<u>237,905</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.

Liquidity risk

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

Special Olympics Alberta Association

Notes to Financial Statements

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.