

Financial statements of

**Special Olympics British
Columbia Society**

June 30, 2013, June 30, 2012 and July 1, 2011

Special Olympics British Columbia Society

June 30, 2013, June 30, 2012 and July 1, 2011

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Independent Auditor's Report

To the Members of Special Olympics British Columbia Society

We have audited the accompanying financial statements of Special Olympics British Columbia Society (the "Society"), which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of operating fund and restricted fund revenue, expenses and changes in fund balances and cash flows for the years ended June 30, 2013 and June 30, 2012, and the notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditor's 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 auditor considers 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from gaming, donations and merchandise sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the 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 British Columbia Society as at June 30, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

The Society Act (British Columbia) requires the auditor to opine on whether the financial statements are prepared on a basis consistent with that of the prior year. We draw attention to the fact that, effective July 1, 2012, the Special Olympics British Columbia Society changed its financial reporting framework as described in Note 2 to the financial statements.



Chartered Accountants
September 11, 2013
Vancouver, British Columbia

Special Olympics British Columbia Society

Statement of operating fund revenue, expenses and changes in fund balance
years ended June 30, 2013 and June 30, 2012

	2013	2012
	\$	\$
		(Note 2)
Revenue		
Grants, donations and sponsorships	1,051,782	1,332,082
Event revenues	1,027,719	930,087
Gaming	286,864	291,624
Interest and other	42,002	32,886
Merchandise and service sales	9,957	9,741
	2,418,324	2,596,420
Expenses		
Operations		
Direct operating costs	997,669	970,015
Personnel	935,639	813,304
	1,933,308	1,783,319
General and administrative		
Other general and administrative	267,461	213,984
Personnel	176,716	180,719
Amortization	22,383	23,913
	466,560	418,616
	2,399,868	2,201,935
Excess of revenue over expenses before the undernoted	18,456	394,485
Unrealized gain (loss) on investments	39,181	(10,272)
Gain on sale of equipment	-	3,000
Excess of revenue over expenses	57,637	387,213
Operating fund balance, beginning of year	1,368,205	1,070,131
Transfer to the operating fund from the SOBC Foundation	11,040	10,861
Transfer from the operating fund to the Provincial and National Games Fund (Note 6)	-	(100,000)
Operating fund balance, end of year	1,436,882	1,368,205

Special Olympics British Columbia Society

Statement of restricted fund revenue, expenses and changes in fund balances
years ended June 30, 2013 and June 30, 2012

	Externally restricted					Internally restricted	Total
	Howard G. Carter Fund	Marge McNary Memorial Fund	Gordon Walker Memorial Fund	John M. Sims Fund	Special Olympics British Columbia Foundation	Provincial and National Games Fund	
	\$	\$	\$	\$		\$	\$
Restricted fund balance, July 1, 2011 (Note 2)	472,798	36,718	-	-	290,295	300,000	1,099,811
Revenue							
Interest	12,427	965	-	-	10,861	-	24,253
Unrealized (loss) gain investments	(12,727)	(989)	604	-	(9,115)	-	(22,227)
Deficiency (excess) of revenue over expenses	(300)	(24)	604	-	1,746	-	2,026
Transfer expenses (to) from operating fund	-	-	-	-	(10,861)	100,000	89,139
Capital contribution	-	-	60,000	-	-	-	60,000
Restricted fund balance, June 30, 2012 (Note 2)	472,498	36,694	60,604	-	281,180	400,000	1,250,976
Revenue							
Interest	13,099	1,017	1,680	-	11,040	-	26,836
Unrealized gain (loss) investments	48,549	3,771	6,227	(858)	17,479	-	75,168
(Excess) deficiency of revenue over expenses	61,648	4,788	7,907	(858)	28,519	-	102,004
Transfer to operating fund	-	-	-	-	(11,040)	-	(11,040)
Capital contribution	-	-	-	61,095	-	-	61,095
Restricted fund balance, June 30, 2012 (Note 2)	534,146	41,482	68,511	60,237	298,659	400,000	1,403,035

Special Olympics British Columbia Society

Statement of financial position

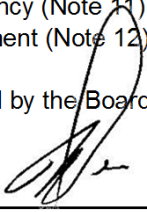
as at June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$ (Note 2)	\$ (Note 2)
Assets			
Current assets			
Cash and cash equivalents - Operating fund (Note 4)	2,223,854	2,086,897	1,265,596
Accounts receivable	135,910	64,339	314,420
Inventory	6,836	4,178	4,670
Prepaid expenses	110,325	300	1,450
Deposit	5,000	5,114	-
	2,481,925	2,160,828	1,586,136
Investments - Restricted funds (Note 5)	1,003,035	850,976	799,811
Restricted cash (Note 6)	400,000	400,000	300,000
Other long-term investments (Note 7)	431,072	381,320	381,562
Equipment (Note 8)	41,337	47,605	55,350
Deposit	5,114	-	5,114
	4,362,483	3,840,729	3,127,973
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	315,084	178,947	129,080
Deferred revenue (Note 9)	1,207,482	1,042,601	828,951
	1,522,566	1,221,548	958,031
Net assets (Note 10)			
Operating fund	1,436,882	1,368,205	1,070,131
Restricted funds	1,403,035	1,250,976	1,099,811
	2,839,917	2,619,181	2,169,942
	4,362,483	3,840,729	3,127,973

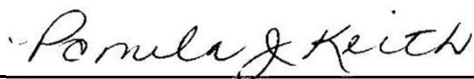
Contingency (Note 11)

Commitment (Note 12)

Approved by the Board



Director



Director

Special Olympics British Columbia Society

Statement of cash flows

years ended June 30, 2013 and June 30, 2012

	2013	2012
	\$	\$
		(Note 2)
Operating activities		
Operating fund - excess of revenue over expenses for the year	58,637	387,213
Restricted funds excess of revenue over expenses for the year	101,004	2,026
Add back non-cash items		
Amortization	22,383	23,913
Unrealized (gain) loss on investments	(114,349)	32,499
	67,675	445,651
Changes in non-cash working capital items		
Accounts receivable	(71,571)	250,081
Inventory	(2,658)	492
Prepaid expenses	(110,025)	1,150
Deposit	(5,000)	-
Accounts payable and accrued liabilities	120,022	49,867
Deferred revenue	164,881	213,650
	163,324	960,891
Investing activities		
Purchase of equipment	-	(16,168)
Purchase of investments, Restricted funds	(15,796)	(13,392)
Purchase of other long-term investments	(10,571)	(10,030)
Increase in restricted cash	-	(100,000)
	(26,367)	(139,590)
Net increase in cash and cash equivalents	136,957	821,301
Cash, beginning of year	2,086,897	1,265,596
Cash and cash equivalents, end of year	2,223,854	2,086,897
Cash consists of the following:		
Cash - Operating fund	2,223,854	386,897
Cash equivalents - Operating fund	-	1,700,000
	2,223,854	2,086,897
Non-cash transactions		
Addition of equipment in accounts payable and accrued liabilities	16,115	-

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

1. Purpose of the organization

Special Olympics British Columbia Society (the "Society") is a provincial organization operating programs for the benefit of athletes with an intellectual disability. It is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Canadian Income Tax Act.

2. Adoption of new accounting standards

Effective July 1, 2012, the Society adopted the new Canadian accounting standards for not-for-profit organizations ("ASNPO") issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") as set out in Part III of the CICA Handbook ("Part III").

In accordance with Section 1501 of Part III of the CICA Handbook, *First-Time Adoption* ("Section 1501"), which outlines the transitional provisions in Canadian accounting standards for not-for-profit organizations, the date of transition to the new standards is July 1, 2011 and the Society has prepared and presented an opening statement of financial position at the date of transition to the new standards.

This opening statement of financial position is the starting point for the Society's accounting under the new standards. In its opening statement of financial position, under the requirements of Section 1501, the Society:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented. The adoption of the new standards did not impact the Society's previously reported financial statements under Canadian generally accepted accounting principles.

3. Significant accounting policies

These financial statements have been prepared in accordance with ASNPO and reflect the following significant policies:

(a) *Consolidation*

The Society controls a number of local branches of Special Olympics located in various regions of British Columbia. The Society has elected to exclude these branches from consolidation because they are not individually material to the Society and the expense of preparing consolidated financial statements would exceed any benefits from doing so. Any investment in these branches is recorded on the cost basis.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

3. Significant accounting policies (continued)

(a) *Consolidation (continued)*

Summarized unaudited financial statement information of these branches is as follows:

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$ (Note 2)	\$ (Note 2)
Total assets	1,697,411	1,639,270	1,549,722
Total surplus	1,697,411	1,639,270	1,549,722
Revenue	1,405,984	1,498,100	1,555,744
Expenses	1,355,571	1,469,156	1,308,694
Cash flows from operations	50,413	28,944	247,050

The Society has consolidated the funds of the Special Olympics British Columbia Foundation which is described in Note 5(e).

(b) *Financial instruments*

The Society initially measures its financial assets and financial liabilities at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, Investments – Restricted funds and long-term investments are measured at fair value and all other financial instruments are measured at amortized cost.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at amortized cost, the Society recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

The carrying amount of financial assets in the operating and restricted funds, including cash and cash equivalents, at June 30, 2013 aggregates \$4,193,871 (June 30, 2012 - \$3,783,532, July 1, 2011 - \$2,961,089).

(c) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand in prime-linked cashable guaranteed investment certificates with terms to maturity of three months or less from their date of acquisition.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

3. Significant accounting policies (continued)

(d) *Inventory*

Inventory is recorded at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale.

(e) *Equipment*

Equipment is recorded at cost, which is equivalent to the fair value of donated equipment, and is amortized on a straight-line basis over their estimated useful lives as follows:

Vehicles	5 years
Photocopier	5 years
Computer and other equipment	3 years

The Society reviews for the impairment of property and equipment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Society or no longer contributes to the Society's ability to provide services. The amount of the impairment, if any, is determined as the excess of the carrying value of the asset over its estimated residual value. No impairment losses have been identified by the Society for the year ended June 30, 2013.

(f) *Revenue and expense recognition*

The Society follows the deferral method of accounting for revenues. Revenues restricted for specific expenditures are recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenues are recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Donations are recorded on a cash basis.

Revenues are recorded on an accrual basis with amounts recognized during the respective periods in which the underlying activities occurred.

Direct costs related to certain fundraising activities which the Society does not directly control are recorded net of the related revenue.

Expenditures are recorded on an accrual basis. A portion of salaries and wages of certain administrative personnel are allocated to operations expenses based on the time spent by those individuals on games and other operations related to events of the Society. Additional disclosures are included in Note 14.

(g) *Donated equipment, materials and services*

Donated equipment and materials are recorded at fair value where fair value can be reasonably estimated. Donated services are not recorded as their fair value cannot be reasonably estimated.

(h) *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to fair value of investments, allowance for doubtful accounts, amortization, accrued liabilities and contingencies. Actual results may differ from those estimates.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

4. Externally restricted funds

As at June 30, 2013, \$237,998 (June 30, 2012 - \$239,558, July 1, 2011 - \$22,379) is included in cash which relates to proceeds received from gaming activities. The use of funds realized from gaming activities is restricted under the Provincial Gaming Control Act to certain eligible charitable activities and specified overhead expenditures.

5. Investments – Restricted funds

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$ (Note 2)	\$ (Note 2)
Howard G. Carter Fund (a)	534,146	472,498	472,498
Marge McNary Memorial Fund (b)	41,482	36,694	36,718
Gordon Walker Memorial Fund (c)	68,511	60,604	-
John M. Sims Fund (d)	60,237	-	-
	704,376	569,796	509,216
Special Olympics British Columbia Foundation (e)	298,659	281,180	290,295
	1,003,035	850,976	799,511

- (a) This fund was established in 1988 as a memorial endowment fund in recognition of Howard G. Carter's years of work and dedication to the Society. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society.
- In addition, during 1990 the Society established a permanent endowment fund under the auspices of the Vancouver Foundation, the interest of which is for the account of the Howard G. Carter Fund. The Society paid the Vancouver Foundation a non-refundable deposit of \$10,000 and cumulative contributions to date of \$75,000. The Vancouver Foundation has matched the contributions and the Society receives quarterly interest payments based on a principal balance of \$160,000. This principal balance is not shown in these financial statements.
- (b) During the year ended June 30, 2003, the Society received a capital contribution which was designated as a memorial endowment fund. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The restricted fund was formally established as the Marge McNary Memorial Fund on July 17, 2003.
- (c) During the year ended June 30, 2012, the Society received a capital contribution from the estate of a former Special Olympics athlete, Gordon Walker. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The restrictions on the fund have not yet been determined.
- (d) During the year ended June 30, 2012, the Society received a capital contribution from a group of donors in honour of John M. Sims. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The restrictions on the fund had not yet been determined as of year-end.

The assets in these funds consist of long-term investments in bonds and equities pooled funds and are administered by Connor, Clark and Lunn Financial Group under the direction of the Society's Board of Directors.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

5. Investments – Restricted funds (continued)

(e) During the year ended June 30, 2005, the Society received a capital contribution which was designated as a memorial endowment fund (the "SOBC Foundation"). The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The fund will be held and invested by the Vancouver Foundation. Income generated from the SOBC Foundation will be disbursed to the Society as long as the Society is a registered charity. The Society has the right to retract the amount contributed to the SOBC Foundation subject to certain restrictions, after at least three years from the date that the aggregate amount contributed to the fund exceeds \$100,000. If the Society ceases to exist, the Vancouver Foundation will disburse the funds to Special Olympics Canada. The restricted fund was formally established as the Special Olympics British Columbia Foundation Fund on June 27, 2005.

6. Restricted cash

This internally restricted provincial and national games fund was established on June 21, 2010 for preparation for the 2011 Provincial Winter Championships, the 2013 Provincial Summer Games and the 2014 National Summer Games. During the year, the Society transferred \$Nil (June 30, 2012 - \$100,000, July 1, 2011 - \$200,000) from the operating account into this fund by resolution of the Board of Directors and no expenses were allocated against the fund (June 30, 2012 - \$Nil, July 1, 2011 - \$Nil). Cash in the fund is internally restricted to fund expenditures relating to these events. Interest revenue does not accrue on this fund.

7. Other long-term investments

Other long-term investments consist of bonds and equities that are administered by Connor, Clark & Lunn Financial Group under the direction of the Society's Board of Directors. At June 30, 2013, the market value of these investments was \$431,072 (June 30, 2012 - \$381,320, July 1, 2011 - \$381,562).

8. Equipment

	June 30, 2013		
	Cost	Accumulated Amortization	Net book Value
	\$	\$	\$
Vehicles	95,930	77,181	18,749
Photocopier	16,115	1,611	14,504
Computer and other equipment	22,306	14,222	8,084
	134,351	93,014	41,337

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

8. Equipment (continued)

			June 30, 2012
	Cost	Accumulated Amortization	Net book Value
	\$	\$	\$
			(Note 2)
Vehicles	95,930	62,815	33,115
Photocopier	10,165	9,149	1,016
Computer and other equipment	29,053	15,579	13,474
	135,148	87,543	47,605

			July 1, 2011
	Cost	Accumulated Amortization	Net book Value
	\$	\$	\$
			(Note 2)
Vehicles	126,788	74,488	52,300
Photocopier	10,165	7,115	3,050
Computer and other equipment	12,885	12,885	-
	149,838	94,488	55,350

9. Deferred revenue

Deferred revenue includes event revenues relating to registration fees, fundraising receipts and grants that have been received in advance. The amounts will be recognized as revenue in the subsequent years when the related expenditures have been incurred.

	June 30, 2013	June 30, 2012
	\$	\$
		(Note 3)
Beginning balance	1,042,601	828,951
Add: Amount received related to subsequent years	507,482	342,601
Less: Amount recognized as revenue in the year	(342,601)	(128,951)
Ending balance	1,207,482	1,042,601

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

10. Fund balances

Should the Society be wound up, the Directors have resolved to donate the operating and restricted fund balances to one or more recognized charitable organizations having the same or similar purposes as the Society. There are no plans to wind up the Society.

11. Contingency

In the event that any local branch of the Special Olympics British Columbia Society incurs liabilities in excess of available assets, the Society is obligated to repay any resulting indebtedness.

At June 30, 2013, management estimates that there is no existing liability under this contingent obligation.

12. Commitments

The Society has entered into a lease for its office premises which expires on March 31, 2018. The future minimum lease payment in the next 5 years is as follows:

	\$
2014	73,280
2015	63,980
2016	63,980
2017	63,980
2018	63,980
	<hr/> <u>329,200</u>

13. Financial instruments

Interest rate risk

The Society's investments are exposed to interest rate risk as the value of the financial instruments will fluctuate due to changes in interest rates and the volatility of these rates. The Society does not use derivative instruments to reduce its exposure to interest rate risk.

The Society manages its credit risk by depositing cash and investing in short-term instruments with a reputable commercial bank and fund group managers.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Society by failing to discharge its obligations. Credit risk is primarily associated with accounts receivables; however it also arises on cash and cash equivalents and investments.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet a demand for cash or fund its obligations as they come due. The Society meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2013, June 30, 2012 and July 1, 2011

13. Financial instruments (continued)

Market risk

The risk associated with the pooled funds are the risks associated with the bonds and equities in which the pooled funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities. The Society manages this risk through controls to monitor and limit concentration levels.

14. Allocation of expenses

A portion of salaries and wages relating to certain administrative personnel have been allocated to operations expense based on the proportion of time spent by those individuals on games and other events of the Society as follows:

	2013	2012
	\$	\$
Personnel	85,883	83,090