

Financial statements of

**Special Olympics British
Columbia Society**

June 30, 2015

Special Olympics British Columbia Society

June 30, 2015

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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 statement of financial position as at June 30, 2015, and the statements of operations and changes in fund balances for the operating fund, endowment and internally restricted funds 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.

Auditor's 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit 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, the excess of revenue over expenses and cash flows from operations for the years ended June 30, 2015 and June 30, 2014, current assets as at June 30, 2015 and June 30, 2014, and net assets as at June 30, 2015, June 30, 2014 and July 1, 2013. Our audit opinion on the financial statements for the year ended June 30, 2014 was modified accordingly, because of the possible effects of this scope limitation.

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 British Columbia Society as at June 30, 2015 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte LLP

Chartered Professional Accountants
September 8, 2015
Vancouver, British Columbia

Special Olympics British Columbia Society

Statement of financial position as at June 30, 2015

	2015	2014 (Restated - Note 2)
	\$	\$
Assets		
Current assets		
Cash - operating fund (Note 4)	2,127,785	1,800,798
Cash - provincial and national games fund (Note 6)	300,000	300,000
Accounts receivable	193,359	253,472
Inventory	9,434	10,001
Prepaid expenses	1,150	54,488
	2,631,728	2,418,759
Investments - endowment funds (Note 5)	1,390,778	1,195,677
Other long-term investments (Note 7)	557,508	521,860
Equipment (Note 8)	10,273	23,179
Deposit	5,115	5,114
	4,595,402	4,164,589
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	195,905	221,356
Deferred revenue (Note 9)	472,893	441,670
	668,798	663,026
Net assets (Note 10)		
Operating fund	2,235,826	2,005,886
Internally restricted fund	300,000	300,000
Endowment funds	1,390,778	1,195,677
	3,926,604	3,501,563
	4,595,402	4,164,589

Contingency (Note 11)

Commitment (Note 12)

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Special Olympics British Columbia Society

Statement of operations and changes in fund balance - operating fund year ended June 30, 2015

	2015	2014 (Restated - Note 2)
	\$	\$
Revenue		
Event revenue	1,454,035	1,437,769
Grants, donations and sponsorships	1,333,522	1,556,231
Gaming	296,337	265,967
Interest and other	42,441	41,913
Merchandise and service sales	14,388	9,876
	3,140,723	3,311,756
Expenses		
Operations		
Direct operating costs	1,411,306	1,686,802
Personnel	1,098,022	1,004,105
	2,509,328	2,690,907
General and administrative		
Other general and administrative	235,192	252,057
Personnel (Note 14)	188,495	176,380
Amortization	12,906	18,158
	436,593	446,595
	2,945,921	3,137,502
Excess of revenue over expenses before the undernoted	194,802	174,254
Unrealized gain on investments	23,326	77,660
Excess of revenue over expenses	218,128	251,914
Operating fund balance, beginning of year		
As previously reported	2,005,886	1,436,882
Impact of prior period restatement (Note 2)	-	205,767
As restated	2,005,886	1,642,649
Transfer to the operating fund from the SOBC Foundation	11,812	11,323
Transfer from internally restricted fund to operating fund	-	100,000
Operating fund balance, end of year	2,235,826	2,005,886

The accompanying notes to the financial statements are an integral part of this financial statement.

Special Olympics British Columbia Society

Statement of operations and changes in fund balances - endowment and internally restricted funds year ended June 30, 2015

	Howard G. Carter Fund	Marge McNary Memorial Fund	Gordon Walker Memorial Fund	John M. Sims Fund	Special Olympics British Columbia Foundation	Endowment Total endowment	Internally restricted Provincial and National Games Fund
	\$	\$	\$	\$	\$	\$	\$
Fund balance, July 1, 2013	534,146	41,482	68,511	60,237	298,659	1,003,035	400,000
Revenue							
Interest	16,267	1,263	2,086	1,825	11,323	32,764	-
Unrealized gain on investments	96,229	7,473	12,343	10,749	37,492	164,286	-
Excess of revenue over expenses	112,496	8,736	14,429	12,574	48,815	197,050	-
Transfer to operating fund	-	-	-	-	(11,323)	(11,323)	(100,000)
Capital contribution	-	-	-	6,915	-	6,915	-
Fund balance, June 30, 2014	646,642	50,218	82,940	79,726	336,151	1,195,677	300,000
Revenue							
Interest	15,269	1,186	1,959	3,101	11,812	33,327	-
Unrealized gain on investments	28,905	2,245	3,608	7,454	13,244	55,456	-
Excess of revenue over expenses	44,174	3,431	5,567	10,555	25,056	88,783	-
Transfer to operating fund	-	-	-	-	(11,812)	(11,812)	-
Capital contribution	-	-	66,500	51,630	-	118,130	-
Fund balance, June 30, 2015	690,816	53,649	155,007	141,911	349,395	1,390,778	300,000

The accompanying notes to the financial statements are an integral part of this financial statement.

Special Olympics British Columbia Society

Statement of cash flows year ended June 30, 2015

	2015	2014 (Restated - Note 2)
	\$	\$
Operating activities		
Operating fund - excess of revenue over expenses for the year	218,128	251,914
Endowment and internally restricted funds - excess of revenue over expenses for the year	88,783	197,050
Add back non-cash items		
Amortization	12,906	18,158
Unrealized gain on investments	(78,782)	(241,946)
	241,035	225,176
Changes in non-cash working capital items		
Accounts receivable	60,113	(117,562)
Inventory	567	(3,165)
Prepaid expenses	53,338	55,837
Deposit	-	5,000
Accounts payable and accrued liabilities	(25,451)	(93,728)
Deferred revenue	31,223	(560,045)
	360,825	(488,487)
Investing activities		
Purchase of investments, endowment funds	(21,516)	(21,441)
Purchase of other long-term investments	(12,322)	(13,128)
	(33,838)	(34,569)
Net increase (decrease) in cash	326,987	(523,056)
Cash, beginning of year	2,100,798	2,623,854
Cash, end of year	2,427,785	2,100,798
Cash - operating fund		
	2,127,785	1,800,798
Cash - provincial and national games fund	300,000	300,000
	2,427,785	2,100,798

The accompanying notes to the financial statements are an integral part of this financial statement.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2015

1. Description 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.

The Society meets its objectives with the cooperation of many local committees that organize programs and events held throughout British Columbia. The Society acts as a governing body over those committees.

The Society excludes the programs and events administered by local committees from consolidation as the control over those activities is exercised by the locally elected committees. These financial statements include only those assets, liabilities, revenues and expenditures directly attributable to the Society and does not include the operating results of the local committees.

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

	2015	2014
	\$	\$
Total assets	2,062,927	1,842,137
Net assets	2,062,927	1,842,137
Revenue	1,606,050	1,732,331
Expenses	1,457,327	1,602,213
Excess of revenue over expenses	148,723	130,118

2. Prior period restatement

In April 2011, the Society received \$700,000 in funding from the Government of British Columbia which was restricted for use for the 2013 BC Special Olympics Summer Games, the Healthy Athletes program and athlete development. As these programs had not commenced in the year ended June 30, 2011, the amount was recorded as deferred revenue. In subsequent years, the Society had not disbursed these funds for eligible activities and, as a result, the contribution continued to be recorded as deferred revenue at June 30, 2012, 2013 and 2014. In 2015, the Society concluded that a portion of the grant should have been recognized in prior periods; to the extent that eligible activities had occurred and funding for those activities had not been provided by other restricted donations. A retroactive correction was made, with the effect that the opening balance of the operating fund at July 1, 2013 was increased, and the amount of deferred revenue decreased by \$205,767 at that date. Grant revenue and the operating fund excess of revenues over expenditures was increased by \$89,772 for the year ended June 30, 2014, and the balance of the operating fund surplus and amount of deferred revenue at June 30, 2014 was increased and decreased by \$295,539, respectively. The "Operating fund – excess of revenue over expenses for the year" and "Deferred revenue" in the 2014 statement of cash flows were each increased and decreased by \$89,772, respectively. There was no change to the total cash used in operating or investing activities for 2014.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following significant policies:

(a) 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 for endowment purposes and other long-term investments are measured at fair value and all other financial instruments are measured at amortized cost.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2015

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

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.

(b) Inventory

Inventory is recorded at the lower of cost and current replacement cost with the cost being determined on a first-in, first-out basis.

(c) Equipment

Purchased equipment is recorded at cost, and donated equipment is recorded at fair value. Equipment is amortized on a straight-line basis over its estimated useful life as follows:

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

The Society reviews for the impairment of 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, 2015.

(d) 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. Endowment contributions are recognized as direct increases in net assets in the year.

Revenue in the endowment fund includes interest income and unrealized gains and losses on investments measured at fair value.

Donations are recorded on a cash basis.

Event and gaming revenues are recorded on an accrual basis with amounts recognized during the respective periods in which the underlying activities occur.

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.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2015

3. Significant accounting policies (continued)

(e) Donated materials and services

Donated 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.

(f) 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 the fair value of investments, accrued liabilities and contingencies. Actual results may differ from those estimates.

4. Externally restricted funds

As at June 30, 2015, \$19,893 (2014 - \$813) 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 - endowment funds

	2015	2014
	\$	\$
Howard G. Carter Fund (a)	690,816	646,642
Marge McNary Memorial Fund (b)	53,649	50,218
Gordon Walker Memorial Fund (c)	155,007	82,940
John M. Sims Fund (d)	141,911	79,726
	1,041,383	859,526
Special Olympics British Columbia Foundation (e)	349,395	336,151
	1,390,778	1,195,677

(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 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 years ended June 30, 2012 and June 30, 2015, the Society received contributions from the estate of a former Special Olympics athlete, Gordon Walker which were 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.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2015

5. Investments - endowment funds (continued)

(d) During the years ended June 30, 2012 and June 30, 2015, the Society received capital contributions from a group of donors in honour of John M. Sims which were 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 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.

(e) During the year ended June 30, 2005, the Society received a 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 is held and invested by the Vancouver Foundation. Income generated from the SOBC Foundation is disbursed to the Society as long as the Society is a registered charity. The Society has the right to retract the amount 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 endowment fund was formally established as the Special Olympics British Columbia Foundation Fund on June 27, 2005.

6. Cash - provincial and national games fund

A new internally restricted fund was established on June 11, 2014 of \$300,000 for hosting, preparing for, or participation in Provincial or National Games and the Performance Project between July 2014 and up to and including the 2016 Winter Games. 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, 2015, the market value of these investments was \$557,508 (2014 - \$521,860).

8. Equipment

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Vehicles	95,930	93,714	2,216	9,204
Photocopier	16,115	8,058	8,057	11,280
Computer and other equipment	22,306	22,306	-	2,695
	134,351	124,078	10,273	23,179

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2015

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 subsequent years when the related expenditures have been incurred.

	2015	2014 (Restated - Note 2)
	\$	\$
Beginning balance	441,670	1,001,715
Add: amount received related to subsequent years	113,202	37,209
Less: amount recognized as revenue in the year	(81,979)	(597,254)
Ending balance	<u>472,893</u>	<u>441,670</u>

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, 2015, 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 payments are as follows:

	\$
2016	63,980
2017	63,980
2018	47,985
	<u>175,945</u>

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2015

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.

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, investments and deposits.

The Society manages its credit risk by maintaining cash and investments with large financial institutions.

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 become 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.

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:

	2015	2014
	\$	\$
Personnel	91,192	93,721