

FINANCIAL STATEMENTS

SPECIAL OLYMPICS CANADA FOUNDATION

June 30, 2016

Special Olympics Canada Foundation

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INDEPENDENT AUDITOR'S REPORT

To the directors of
Special Olympics Canada Foundation:

We have audited the accompanying financial statements of **Special Olympics Canada Foundation**, which comprise the statement of financial position as at June 30, 2016 and the statements of operations and changes in fund balances 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 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.

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 an 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Special Olympics Canada Foundation** as at June 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
December 6, 2016

Campbell Lawless LLP

Chartered Professional Accountants
Licensed Public Accountants

Special Olympics Canada Foundation
STATEMENT OF FINANCIAL POSITION

June 30	2016 \$	2015 \$
ASSETS		
Current		
Cash	210,126	55,071
Accounts receivable [note 3]	103,721	195,062
Prepaid expenses	3,067	
Prepaid life insurance annuities, current portion [note 4]	40,299	40,300
Cash surrender value of life insurance policies [note 4]	468,398	452,199
Investments, at market value [note 5]	<u>7,476,276</u>	<u>7,472,009</u>
	8,301,887	8,214,641
Prepaid life insurance annuities [note 4]	15,210	55,509
	<u>8,317,097</u>	<u>8,270,150</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	44,711	123,038
Due to provincial/territorial chapters		18,800
Due to related party [note 7]	<u>8,841</u>	<u>10,287</u>
	<u>53,552</u>	<u>152,125</u>
FUND BALANCES		
General fund	8,263,545	3,927,552
Restricted fund	<u>--</u>	<u>4,190,473</u>
	8,263,545	8,118,025
	<u>8,317,097</u>	<u>8,270,150</u>

see accompanying notes

On behalf of the Board:

Director

Director

Special Olympics Canada Foundation
STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCES

Year ended June 30	General Fund		Restricted Fund	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue				
Fundraising				
Events	1,553,424	789,246		299,670
Individuals	46,846	64,578		
Charities	37,285	7,955		
Investment income	184,606	206,631		
Net change in unrealized gain on investments	(143,839)	456,670		
Net increase (decrease) in the cash surrender value of life insurance policies [note 4]	<u>(24,100)</u>	<u> </u>		<u>(15,600)</u>
	<u>1,654,222</u>	<u>1,525,080</u>		<u>284,070</u>
Expenses				
Events	262,085	10,946		314,323
Personnel	127,125	122,848		
General and administration	46,913	38,288		
Investment management fees	36,500	41,428		
Professional fees	16,793	81,518		
Travel and entertainment	7,133	7,016		
Board and committees	<u>1,849</u>	<u>1,975</u>		<u> </u>
	<u>498,398</u>	<u>304,019</u>		<u>314,323</u>
Excess (deficiency) of revenue over expenses before grants	1,155,824	1,221,061		(30,253)
Grants	1,010,304	776,388		
Excess (deficiency) of revenue over grants and expenses for the year	145,520	444,673		(30,253)
Fund balances, beginning of year	3,927,552	3,482,879	4,190,473	4,220,726
Interfund transfer [note 6]	4,190,473		(4,190,473)	
Fund balances, end of year	8,263,545	3,927,552	--	4,190,473

see accompanying notes

Special Olympics Canada Foundation
STATEMENT OF CASH FLOWS

Year ended June 30	2016 \$	2015 \$
OPERATING ACTIVITIES		
Excess of revenue over grants and expenses for the year	145,520	414,420
Add items not involving cash -		
Net (increase) decrease in the cash surrender value of life insurance policies		15,600
Net change in unrealized gain on investments	<u>143,839</u>	<u>(456,670)</u>
	289,359	(26,650)
Changes in non-cash working capital items -		
(Increase) decrease in accounts receivable	91,341	(41,285)
(Increase) decrease in prepaid expenses	(3,067)	
Increase (decrease) in accounts payable and accrued liabilities	(78,326)	109,746
Increase (decrease) in deferred revenue		(17,879)
Increase (decrease) in due to provincial/territorial chapters	(18,800)	18,800
Increase (decrease) in due to related party	<u>(1,446)</u>	<u>7,287</u>
	279,061	50,019
INVESTING ACTIVITIES		
(Increase) decrease in prepaid life insurance annuities	40,299	40,299
Life insurance premiums paid	(16,199)	(41,354)
Purchase of investments	<u>(148,106)</u>	<u>(165,203)</u>
	<u>(124,006)</u>	<u>(166,258)</u>
Net change in cash during the year	155,055	(116,239)
Cash, beginning of year	55,071	171,310
Cash, end of year	210,126	55,071

see accompanying notes

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. PURPOSE OF THE ORGANIZATION

Special Olympics Canada Foundation (the "Foundation") is an organization formed for the purpose of receiving and maintaining resources on behalf of and disbursing funds to Special Olympics Canada. The Foundation is a registered charity under the Income Tax Act (Canada). Effective October 15, 2014, the Foundation continued under the Canada Not-for-profit Corporations Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund reports unrestricted resources and restricted contributions relating to general operations.

The Restricted Fund reports resources subject to external restrictions stipulating that the resources be maintained for not less than ten years. Investment income earned on these restricted resources is reported in the General Fund.

Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in fund balances.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, amounts due to and from related parties, amounts due to and from provincial/territorial chapters and accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are assessed for indicators of impairment. When there is indication of an impairment, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized in the statement of revenue and expenses. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenue and expenses.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred.

Restricted contributions subject to external restrictions stipulating that the resources be maintained for not less than ten years are recognized as revenue in the Restricted Fund.

Use of estimates

The preparation of the 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 revenues and expenses during the reporting period. The significant item subject to such management estimates and assumptions is the valuation allowance for accounts receivable. Actual results could differ from the estimate.

3. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Accounts receivable	118,721	230,062
Allowance for doubtful accounts	(15,000)	(35,000)
	103,721	195,062

4. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies totaling approximately \$12,339,825 (2015 - \$12,589,800).

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

5. INVESTMENTS

	2016	2015
	\$	\$
Mutual funds, at cost	6,348,130	6,146,868

6. INTERFUND TRANSFER

The board approved the transfer of restricted funds for which the external restriction requirements have been satisfied to the General Fund in the amount of \$4,190,473.

7. RELATED PARTY TRANSACTIONS

Special Olympics Canada and the Foundation are related parties because Special Olympics Canada has an economic interest in the Foundation which is required to receive and maintain resources for the benefit of Special Olympics Canada. The statement of operations and changes in fund balances includes \$273,670 (2015 - \$181,338) paid to Special Olympics Canada. Special Olympics Canada charged the Foundation \$18,000 (2015 - \$18,000) for office and rent expenses.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The amount payable to Special Olympics Canada is non-interest bearing, unsecured and has no fixed terms of repayment.

8. FINANCIAL INSTRUMENTS RISK EXPOSURE

The Foundation is exposed to various risks through its financial instruments including credit risk, liquidity risk and market risk. There have been no significant changes in risk exposure since the prior period.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's financial assets that are exposed to credit risk consist primarily of cash and accounts receivable. Cash consists of deposits with a Canadian chartered bank. Credit risk associated with accounts receivable is minimized due to the organization's large and diverse donor base.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to liquidity risk primarily arising from its accounts payables and accrued liabilities. The Foundation expects to meet these obligations as they come due by generating sufficient cash flows from operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to other price risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's investments in publicly traded securities expose the Foundation to other price risk as such investments are subject to price changes in the open market. The Foundation does not use derivative financial instruments to mitigate the effects of this risk.