

FINANCIAL STATEMENTS

SPECIAL OLYMPICS CANADA FOUNDATION

June 30, 2015

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, 2015 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, 2015 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 8, 2015

Campbell Lawless LLP

Chartered Professional Accountants
Licensed Public Accountants

Special Olympics Canada Foundation
STATEMENT OF FINANCIAL POSITION

June 30	2015 \$	2014 \$
ASSETS		
Current		
Cash	55,071	171,310
Accounts receivable [note 3]	195,062	153,777
Prepaid life insurance annuities, current portion [note 4]	40,300	40,299
Cash surrender value of life insurance policies [note 4]	452,199	426,445
Investments, at market value [note 5]	<u>7,472,009</u>	<u>6,850,136</u>
	8,214,641	7,641,967
Prepaid life insurance annuities [note 4]	<u>55,509</u>	<u>95,809</u>
	<u>8,270,150</u>	<u>7,737,776</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	123,039	13,292
Deferred revenue [note 6]		17,879
Due to provincial/territorial chapters	18,800	
Due to related party [note 7]	<u>10,287</u>	<u>3,000</u>
	<u>152,126</u>	<u>34,171</u>
FUND BALANCES		
General fund	3,927,551	3,482,879
Restricted fund	<u>4,190,473</u>	<u>4,220,726</u>
	8,118,024	7,703,605
	<u>8,270,150</u>	<u>7,737,776</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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenue				
Fundraising				
Events	789,246	845,505	299,670	393,985
Individuals	64,578	42,292		
Charities	7,955	20,847		
Investment income	397,869	234,106		
Net change in unrealized gain on investments	265,431	859,378		
Net increase (decrease) in the cash surrender value of life insurance policies [note 4]			(15,600)	(11,625)
	<u>1,525,079</u>	<u>2,002,128</u>	<u>284,070</u>	<u>382,360</u>
Grants	<u>776,388</u>	<u>719,401</u>		
Expenses				
Personnel	122,848	109,629		
Professional fees	81,518	13,961		
Investment management fees	41,428	32,453		
General and administration	38,288	45,009		
Events	10,946	12,478	314,323	276,854
Travel and entertainment	7,016	2,413		
Board and committees	1,975	1,645		
	<u>304,019</u>	<u>217,588</u>	<u>314,323</u>	<u>276,854</u>
Total grants and expenses	<u>1,080,407</u>	<u>936,989</u>	<u>314,323</u>	<u>276,854</u>
Excess (deficiency) of revenue over grants and expenses for the year	<u>444,672</u>	<u>1,065,139</u>	<u>(30,253)</u>	<u>105,506</u>
Fund balances, beginning of year	<u>3,482,879</u>	<u>2,417,740</u>	<u>4,220,726</u>	<u>4,115,220</u>
Fund balances, end of year	<u>3,927,551</u>	<u>3,482,879</u>	<u>4,190,473</u>	<u>4,220,726</u>

see accompanying notes

Special Olympics Canada Foundation
STATEMENT OF CASH FLOWS

Year ended June 30	2015 \$	2014 \$
OPERATING ACTIVITIES		
Excess of revenue over grants and expenses for the year	414,419	1,170,645
Add items not involving cash -		
Net (increase) decrease in the cash surrender value of life insurance policies	15,600	11,625
Net change in unrealized gain on investments	<u>(265,431)</u>	<u>(859,378)</u>
	164,588	322,892
Changes in non-cash working capital items -		
(Increase) decrease in accounts receivable	(41,285)	(58,172)
(Increase) decrease in prepaid expenses		27,075
Increase (decrease) in accounts payable and accrued liabilities	109,747	(14,396)
Increase (decrease) in deferred revenue	(17,879)	(82,301)
Increase (decrease) in due to provincial/territorial chapters	18,800	(31,748)
Increase (decrease) in due to related party	<u>7,287</u>	<u>(40,606)</u>
	241,258	122,744
INVESTING ACTIVITIES		
(Increase) decrease in prepaid life insurance annuities	40,299	40,299
Life insurance premiums paid	(41,354)	(53,948)
Purchase of investments	<u>(356,442)</u>	<u>(201,653)</u>
	<u>(357,497)</u>	<u>(215,302)</u>
Net change in cash during the year	(116,239)	(92,558)
Cash, beginning of year	171,310	263,868
Cash, end of year	55,071	171,310

see accompanying notes

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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). Pursuant to Certificate of Continuance dated October 15, 2014, the Foundation is continued as a not-for-profit corporation under the Canada Not-for-Profit Corporations Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

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, 2015

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

	2015	2014
	\$	\$
Accounts receivable	230,062	153,777
Allowance for doubtful accounts	(35,000)	-
	195,062	153,777

4. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies totaling approximately \$12,589,800 (2014 - \$12,789,800).

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

5. INVESTMENTS

	2015	2014
	\$	\$
Mutual funds, at cost	6,146,868	5,790,426

6. DEFERRED REVENUE

Deferred revenue represents unspent funds externally restricted to be used for future years.

	2015	2014
	\$	\$
Balance , beginning of year	17,879	100,984
Less amount recognized as revenue in the year	(17,879)	(100,984)
Add amounts received relating to future years	NIL	17,879
Balance , end of year	NIL	17,879

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 \$181,338 (2014 - \$171,863) paid to Special Olympics Canada. Special Olympics Canada charged the Foundation \$18,000 (2014 - \$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. COMMITMENT

The Foundation is committed under an agreement for a chartered flight service. Future minimum payments for the year ending June 30, 2016 are \$124,886.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. 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.

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.