

FINANCIAL STATEMENTS

SPECIAL OLYMPICS CANADA FOUNDATION

June 30, 2021

Special Olympics Canada Foundation

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June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the directors of
Special Olympics Canada Foundation:

Opinion

We have audited the accompanying financial statements of **Special Olympics Canada Foundation** (the "Foundation"), which comprise the statement of financial position as at June 30, 2021 and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2021 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.

Basis for Opinion

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 Foundation 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibility for the Audit of 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 it 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 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 judgement 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 Foundation'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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation'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 Foundation to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT (continued)

- 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.

Toronto, Ontario
December 7, 2021

Campbell Lawless LLP

Chartered Professional Accountants
Licensed Public Accountants

Special Olympics Canada Foundation
STATEMENT OF FINANCIAL POSITION

June 30	2021 \$	2020 \$
ASSETS		
Current		
Cash	755,588	1,456,179
Accounts receivable	76,395	90,011
Prepaid expenses	67,601	37,601
Cash surrender value of life insurance policies [note 3]	601,605	510,566
Investments, at market value [note 4]	9,090,240	8,175,978
	10,591,429	10,270,335
LIABILITIES		
Current		
Accounts payable and accrued liabilities	428,211	1,382,145
Deferred revenue	275,646	310,277
Due to related party [note 5]	<u>45,553</u>	<u>3,835</u>
	749,410	1,696,257
FUND BALANCE		
General Fund	9,842,019	8,574,078
	10,591,429	10,270,335

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	2021 \$	2020 \$
Revenue		
Net change in fair value of investments [note 6]	1,294,237	155,276
Fundraising		
Events	948,793	2,144,917
Individuals	72,412	115,969
Charities	656	283
Investment income	160,118	224,094
Net change in cash surrender value of life insurance policies [note 3]	<u>91,039</u>	<u>(6,032)</u>
	<u>2,567,255</u>	<u>2,634,507</u>
Expenses		
Personnel [note 7]	71,027	99,026
Investment management fees	40,093	38,260
General and administration	35,899	37,639
Professional fees	11,210	19,762
Travel and entertainment	109	3,516
Events		125,398
Board and committees		<u>3,149</u>
	<u>158,338</u>	<u>326,750</u>
Excess of revenue over expenses before grants	<u>2,408,917</u>	<u>2,307,757</u>
Grants		
Special Olympics Canada and provincial chapters [note 5]	1,040,976	1,998,787
Special grants and commitments	<u>100,000</u>	<u>550,000</u>
	<u>1,140,976</u>	<u>2,548,787</u>
Excess (deficiency) of revenue over expenses and grants for the year	1,267,941	(241,030)
Fund balance, beginning of year	8,574,078	8,815,108
Fund balance, end of year	<u>9,842,019</u>	<u>8,574,078</u>

see accompanying notes

Special Olympics Canada Foundation
STATEMENT OF CASH FLOWS

Year ended June 30	2021 \$	2020 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses and grants for the year	1,267,941	(241,030)
Adjustments for non-cash items -		
Net change in fair value of investments	<u>(1,294,237)</u>	<u>(155,276)</u>
	(26,296)	(396,306)
Changes in non-cash working capital items -		
(Increase) decrease in accounts receivable	13,616	118,431
(Increase) decrease in prepaid expenses	(30,000)	(37,601)
Increase (decrease) in accounts payable and accrued liabilities	(953,932)	1,157,689
Increase (decrease) in deferred revenue	(34,632)	232,816
Increase (decrease) in due to related party	<u>41,718</u>	<u>(1,966)</u>
	<u>(989,526)</u>	<u>1,073,063</u>
INVESTING ACTIVITIES		
Life insurance premiums paid	(91,039)	6,032
Purchase of investments	(201,449)	(815,093)
Proceeds on sale of investments	<u>581,423</u>	<u>629,259</u>
	<u>288,935</u>	<u>(179,802)</u>
Net change in cash during the year	(700,591)	893,261
Cash , beginning of year	1,456,179	562,918
Cash , end of year	755,588	1,456,179

see accompanying notes

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

1. PURPOSE OF THE FOUNDATION

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

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. As at year end, the Restricted Fund balance is nil.

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.

Event fees and sponsorships are recognized as revenue when received or receivable and collection is reasonably assured. If an event is held subsequent to the year end, the fees and related sponsorship revenue are recorded as deferred revenue on the statement of financial position and recognized as revenue in the accompanying statement of operations and changes in fund balances when the event occurs.

Investment income comprises interest, dividends and other distributions from investments and is recognized on an accrual basis.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 operations and changes in fund balances. 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 operations and changes in fund balances.

Cash

Cash includes cash on hand and balances within bank accounts held with financial institutions.

Life insurance policies

The donation of a life insurance policy is recognized as revenue in the period in which legal ownership of the policy is transferred to the Foundation in the amount of the cash surrender value at that time. Subsequent changes in the cash surrender value, net of any annual premiums paid, are recognized annually in the statement of operations and changes in fund balances.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

3. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies with a face value totaling approximately \$9,833,975 (2020 - \$9,833,975).

It is management's understanding that the Foundation is the assignee under two additional life insurance policies for which it is not the owner. These policies are believed to have a face value totaling \$2,000,000.

4. INVESTMENTS

	2021	2020
	\$	\$
Mutual funds, at cost	6,137,499	6,398,804

5. 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 \$325,976 (2020 - \$1,011,148) of grants paid to Special Olympics Canada. Special Olympics Canada charged the Foundation \$18,000 (2020 - \$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.

The Foundation's board of directors passed a motion to approve a loan of \$250,000 to be made to Special Olympics Canada. The loan is expected to be made subsequent to the year end and will be unsecured, non-interest bearing and will have no fixed terms of repayment.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

6. NET CHANGE IN FAIR VALUE OF INVESTMENTS

Net change in fair value of investments consists of:

	2021	2020
	\$	\$
Net realized gain	118,669	183,235
Net change in unrealized appreciation	1,175,568	(27,959)
	1,294,237	155,276

7. GOVERNMENT ASSISTANCE

During the year, the Foundation received assistance from the Canadian federal government in response to the outbreak of the novel coronavirus ("COVID-19"). The Foundation is entitled to \$54,861 (2020 - \$21,538) of Canada Emergency Wage Subsidy ("CEWS") for salaries paid based on the Foundation's drop in revenue beginning March 15, 2020. The Foundation has recognized the government assistance in the statement of operations and changes in fund balances as a reduction of personnel expense.

CEWS is recognized as government assistance in the statement of operations and changes in fund balances when receivable. Accounts receivable includes a balance of government assistance receivable in relation to CEWS of \$48,923 (2020 - \$18,788) as at June 30, 2021. The Foundation is in compliance with the requirements of the CEWS program and no repayment is required.

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 accounts receivable. Credit risk associated with accounts receivable is minimized due to the Foundation's large and diverse donor base.

Special Olympics Canada Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

8. FINANCIAL INSTRUMENTS RISK EXPOSURE (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 primarily 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 mutual funds 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.

9. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a global pandemic, which continues to spread in Canada and around the world. Management is continuously monitoring the outbreak of COVID-19 and its potential impact on the Foundation. There is uncertainty about the length and potential impact of the disturbance. As a result, management is unable to estimate its potential impact as at the date of these financial statements.