

Financial statements of

**Special Olympics British  
Columbia Society**

June 30, 2014

# Special Olympics British Columbia Society

June 30, 2014

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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, 2014, and the statements of operating fund, endowment and internally restricted fund revenue, expenses and changes in fund balances and cash flows for the year then ended, 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 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, 2014 and June 30, 2013, current assets as at June 30, 2014 and June 30, 2013, and net assets as at June 30, 2014, June 30, 2013 and July 1, 2012. Our audit opinion on the financial statements for the year ended June 30, 2013 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, 2014, 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 Accountants  
September 24, 2014  
Vancouver, British Columbia

# Special Olympics British Columbia Society

## Statement of operating fund revenue, expenses and changes in fund balance year ended June 30, 2014

	2014	2013
	\$	\$
<b>Revenue</b>		
Grants, donations and sponsorships	1,466,459	1,051,782
Event revenues	1,437,769	1,027,719
Gaming	265,967	286,864
Interest and other	41,913	42,002
Merchandise and service sales	9,876	9,957
	<b>3,221,984</b>	<b>2,418,324</b>
<b>Expenses</b>		
Operations		
Direct operating costs	1,686,802	997,669
Personnel	1,004,105	935,639
	<b>2,690,907</b>	<b>1,933,308</b>
General and administrative		
Other general and administrative	252,057	267,461
Personnel	176,380	176,716
Amortization	18,158	22,383
	<b>446,595</b>	<b>466,560</b>
	<b>3,137,502</b>	<b>2,399,868</b>
Excess of revenue over expenses before the undernoted	84,482	18,456
Unrealized gain on investments	77,660	39,181
Excess of revenue over expenses	162,142	57,637
Operating fund balance, beginning of year	1,436,882	1,368,205
Transfer to the operating fund from the SOBC Foundation	11,323	11,040
Transfer from internally restricted fund to operating fund	100,000	-
<b>Operating fund balance, end of year</b>	<b>1,710,347</b>	<b>1,436,882</b>

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

# Special Olympics British Columbia Society

## Statement of endowment and internally restricted fund revenue, expenses and changes in fund balances year ended June 30, 2014

	Endowment					Internally restricted	
	Howard G. Carter Fund	Marge McNary Memorial Fund	Gordon Walker Memorial Fund	John M. Sims Fund	Special Olympics British Columbia Foundation	Total endowment	Provincial and National Games Fund
	\$	\$	\$	\$	\$	\$	\$
<b>Fund balance, July 1, 2012</b>	472,498	36,694	60,604	-	281,180	850,976	400,000
Revenue							
Interest	13,099	1,017	1,680	-	11,040	26,836	-
Unrealized gain (loss) on 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	-
<b>Fund balance, June 30, 2013</b>	<b>534,146</b>	<b>41,482</b>	<b>68,511</b>	<b>60,237</b>	<b>298,659</b>	<b>1,003,035</b>	<b>400,000</b>
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	-
<b>Fund balance, June 30, 2014</b>	<b>646,642</b>	<b>50,218</b>	<b>82,940</b>	<b>79,726</b>	<b>336,151</b>	<b>1,195,677</b>	<b>300,000</b>

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

# Special Olympics British Columbia Society

## Statement of financial position as at June 30, 2014

	2014	2013
		(As restated - Note 5)
	\$	\$
<b>Assets</b>		
Current assets		
Cash - operating fund (Note 3)	1,800,798	2,223,854
Cash - provincial and national games fund (Note 5)	300,000	400,000
Accounts receivable	253,472	135,910
Inventory	10,001	6,836
Prepaid expenses	54,488	110,325
Deposit	-	5,000
	<b>2,418,759</b>	<b>2,881,925</b>
Investments - endowment funds (Note 4)	1,195,677	1,003,035
Other long-term investments (Note 6)	521,860	431,072
Equipment (Note 7)	23,179	41,337
Deposit	5,114	5,114
	<b>4,164,589</b>	<b>4,362,483</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	221,356	315,084
Deferred revenue (Note 8)	737,209	1,207,482
	<b>958,565</b>	<b>1,522,566</b>
Contingency (Note 10)		
Commitment (Note 11)		
<b>Net assets (Note 9)</b>		
Operating fund	1,710,347	1,436,882
Internally restricted fund	300,000	400,000
Endowment funds	1,195,677	1,003,035
	<b>3,206,024</b>	<b>2,839,917</b>
	<b>4,164,589</b>	<b>4,362,483</b>

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 cash flows year ended June 30, 2014

	2014	2013
	\$	\$
<b>Operating activities</b>		
Operating fund - excess of revenue over expenses for the year	162,142	58,637
Endowment and internally restricted funds - excess of revenue over expenses for the year	197,050	101,004
Add back non-cash items		
Amortization	18,158	22,383
Unrealized gain on investments	(241,946)	(114,349)
	<b>135,404</b>	<b>67,675</b>
Changes in non-cash working capital items		
Accounts receivable	(117,562)	(71,571)
Inventory	(3,165)	(2,658)
Prepaid expenses	55,837	(110,025)
Deposit	5,000	(5,000)
Accounts payable and accrued liabilities	(93,728)	120,022
Deferred revenue	(470,273)	164,881
	<b>(488,487)</b>	<b>163,324</b>
<b>Investing activities</b>		
Purchase of investments, endowment funds	(21,441)	(15,796)
Purchase of other long-term investments	(13,128)	(10,571)
	<b>(34,569)</b>	<b>(26,367)</b>
Net (decrease) increase in cash	<b>(523,056)</b>	136,957
Cash, beginning of year	2,623,854	2,486,897
<b>Cash, end of year</b>	<b>2,100,798</b>	<b>2,623,854</b>
Cash - operating fund	1,800,798	2,223,854
Cash - provincial and national games fund	300,000	400,000
	<b>2,100,798</b>	<b>2,623,854</b>
<b>Non-cash transactions</b>		
Addition of equipment in accounts payable and accrued liabilities	-	16,115

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, 2014

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### 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:

	2014	2013
	\$	\$
Total assets	1,842,137	1,697,411
Total surplus	1,842,137	1,697,411
Revenue	1,732,331	1,416,550
Expenses	1,602,213	1,366,137
Cash flows from operations	130,118	50,413

### 2. 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.

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.

# Special Olympics British Columbia Society

## Notes to the financial statements

June 30, 2014

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### 2. Significant accounting policies (continued)

#### (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, 2014.

#### (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 13.

#### (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.

# Special Olympics British Columbia Society

## Notes to the financial statements

June 30, 2014

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### 3. Externally restricted funds

As at June 30, 2014, \$813 (2013 - \$237,998) 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.

### 4. Investments - endowment funds

	2014	2013
	\$	\$
Howard G. Carter Fund (a)	646,642	534,146
Marge McNary Memorial Fund (b)	50,218	41,482
Gordon Walker Memorial Fund (c)	82,940	68,511
John M. Sims Fund (d)	79,726	60,237
	859,526	704,376
Special Olympics British Columbia Foundation (e)	336,151	298,659
	<b>1,195,677</b>	<b>1,003,035</b>

(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 year ended June 30, 2012, the Society received a contribution from the estate of a former Special Olympics athlete, Gordon Walker 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.

(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 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 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.

# Special Olympics British Columbia Society

## Notes to the financial statements

June 30, 2014

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### 5. Cash - provincial and national games fund

An 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 \$400,000 (2013 - \$Nil) from the restricted fund to the operating account by resolution of the Board of Directors. 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.

In 2014, the Society determined that this internally restricted cash should be classified as a current asset on the basis that the restriction is subject to the discretion of the Board of Directors rather than an external party. This change has been reflected retroactively with the effect that \$400,000 of provincial and national games fund cash has been included in current assets at June 30, 2013.

### 6. 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, 2014, the market value of these investments was \$521,860 (2013 - \$431,072).

### 7. Equipment

	2014		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Vehicles	95,930	86,726	9,204
Photocopier	16,115	4,835	11,280
Computer and other equipment	22,306	19,611	2,695
	<b>134,351</b>	<b>111,172</b>	<b>23,179</b>

  

	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
	<b>134,351</b>	<b>93,014</b>	<b>41,337</b>

# Special Olympics British Columbia Society

## Notes to the financial statements

June 30, 2014

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### 8. 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.

	2014	2013
	\$	\$
Beginning balance	1,207,482	1,042,601
Add: amount received related to subsequent years	37,209	507,482
Less: amount recognized as revenue in the year	(507,482)	(342,601)
Ending balance	737,209	1,207,482

### 9. 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.

### 10. 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, 2014, management estimates that there is no existing liability under this contingent obligation.

### 11. 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:

	\$
2015	63,980
2016	63,980
2017	63,980
2018	63,980
	255,920

### 12. 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.

# Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2014

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## 12. Financial instruments (continued)

### *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.

## 13. 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:

	<b>2014</b>	2013
	\$	\$
Personnel	<b>93,721</b>	85,883