

**Special Olympics**  
Ontario



# **2019 Financial Statements**



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**SPECIAL OLYMPICS ONTARIO INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of  
Special Olympics Ontario Inc.  
TORONTO  
Ontario

### *Opinion*

We have audited the accompanying financial statements of Special Olympics Ontario Inc. which comprise the statement of financial position as at June 30, 2019 and the statement of operations and changes in net assets and statement of 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 entity as at June 30, 2019 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 entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

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

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

### *Auditor's Responsibilities for the Audit of the 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 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 the 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 judgment 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 entity'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 the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 entity to cease to continue as a going concern.
- 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.



NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

October 2, 2019

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**SPECIAL OLYMPICS ONTARIO INC.****STATEMENT OF FINANCIAL POSITION**

As at June 30,

2019

2018

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**ASSETS****Current**

Unrestricted cash, cash equivalents, and short-term investments (Note 2)	\$ 2,511,948	\$ 2,517,385
Accounts receivable	98,994	90,349
HST refundable	298,231	148,806
Prepaid expenses	<u>320,210</u>	<u>830,998</u>
	\$ 3,229,383	\$ 3,587,538

Internally Restricted Investments (Note 2)	2,450,000	2,250,000
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Capital Assets (Note 3)	<u>51,359</u>	<u>68,478</u>
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	<u>\$ 5,730,742</u>	<u>\$ 5,906,016</u>
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**LIABILITIES****Current**

Accounts payable and accrued liabilities (Note 8)	\$ 645,839	\$ 848,931
Program funds segregated (Note 4)	249,751	249,411
Deferred contributions (Note 5)	<u>334,674</u>	<u>507,714</u>
	\$ 1,230,264	\$ 1,606,056

**NET ASSETS**

Internally restricted	\$ 2,450,000	\$ 2,250,000
Unrestricted	<u>2,050,478</u>	<u>2,049,960</u>

	<u>\$ 4,500,478</u>	<u>\$ 4,299,960</u>
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	<u>\$ 5,730,742</u>	<u>\$ 5,906,016</u>
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**Commitments (Note 9)**

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At

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

See accompanying notes

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**SPECIAL OLYMPICS ONTARIO INC.****STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

For the year ended June 30,	2019	2018
<b>COMMUNITY ENDEAVOURS</b> (Note 6)	\$ 6,069,213	\$ 4,096,151
Less: Community program funds	<u>(6,069,213)</u>	<u>(4,096,151)</u>
	\$ -	\$ -
<b>PROVINCIAL REVENUES</b>		
Fundraising	4,389,420	4,326,892
Government grants (Note 7b)	2,006,370	1,089,290
Programs	437,990	621,860
Nevada tickets (Note 7c)	350,747	341,662
Memoriam	204,267	314,998
Interest	184,054	128,221
General	63,085	63,436
Gifts-in-kind	570	85,820
	<u>\$ 7,636,503</u>	<u>\$ 6,972,179</u>
<b>EXPENSES</b>		
Programs	\$ 5,924,985	\$ 5,344,610
Fundraising	484,918	555,712
Administrative	450,118	438,401
Marketing and advertising	379,760	375,514
Nevada tickets (Note 7c)	196,204	184,169
	<u>\$ 7,435,985</u>	<u>\$ 6,898,406</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 200,518	\$ 73,773
Transfer to internally restricted net assets (Note 2)	<u>200,000</u>	<u>50,000</u>
<b>NET INCREASE IN UNRESTRICTED NET ASSETS</b>	\$ 518	\$ 23,773
<b>UNRESTRICTED NET ASSETS - Beginning</b>	<u>2,049,960</u>	<u>2,026,187</u>
<b>UNRESTRICTED NET ASSETS - Ending</b>	<u>\$ 2,050,478</u>	<u>\$ 2,049,960</u>
<b>INTERNALLY RESTRICTED NET ASSETS - Beginning</b>	\$ 2,250,000	\$ 2,200,000
Transfer from unrestricted net assets (Note 2)	<u>200,000</u>	<u>50,000</u>
<b>INTERNALLY RESTRICTED NET ASSETS - Ending</b>	<u>\$ 2,450,000</u>	<u>\$ 2,250,000</u>

See accompanying notes

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# SPECIAL OLYMPICS ONTARIO INC.

## STATEMENT OF CASH FLOWS

For the year ended June 30,

2019

2018

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### UNRESTRICTED CASH, CASH EQUIVALENTS

AND SHORT-TERM INVESTMENTS WERE PROVIDED BY (USED IN):

#### OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 200,518	\$ 73,773
Items not affecting cash:		
Amortization	<u>17,119</u>	<u>17,119</u>
	\$ 217,637	\$ 90,892
Net change in non-cash working capital balances:		
Accounts receivable	(8,645)	(33,968)
HST refundable	(149,425)	(48,947)
Prepaid expenses	510,788	(458,621)
Accounts payable and accrued liabilities	(203,092)	306,692
Program funds segregated	340	(56,641)
Deferred contributions	<u>(173,040)</u>	<u>221,795</u>
	\$ 194,563	\$ 21,202

#### INVESTING ACTIVITIES

Increase in internally restricted investments	<u>(200,000)</u>	<u>(50,000)</u>
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#### INCREASE IN UNRESTRICTED CASH,

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

\$ (5,437)	\$ (28,798)
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#### UNRESTRICTED CASH, CASH EQUIVALENTS AND

SHORT-TERM INVESTMENTS - Beginning

<u>2,517,385</u>	<u>2,546,183</u>
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#### UNRESTRICTED CASH, CASH EQUIVALENTS AND

SHORT-TERM INVESTMENTS - Ending

<u>\$ 2,511,948</u>	<u>\$ 2,517,385</u>
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#### SUPPLEMENTARY CASH FLOW INFORMATION

Unrestricted cash, cash equivalents and short-term investments consist of the following:

Cash in bank	\$ 950,537	\$ 984,667
Cash and cash equivalents in investment account	307,605	77,727
Allocated short-term investments	<u>1,253,806</u>	<u>1,454,991</u>
	<u>\$ 2,511,948</u>	<u>\$ 2,517,385</u>

See accompanying notes

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### PURPOSE OF THE ORGANIZATION

Special Olympics Ontario Inc. (the "Organization") is a provincial organization that provides athletes with intellectual disabilities the opportunity to experience and succeed in sport. The Organization was incorporated in 1979 without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada). The Organization is exempt from income taxes and may issue tax-deductible receipts to donors.

### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### a) Consolidation

The Organization meets its objective of providing intellectually disabled athletes with opportunities in sport through the cooperation of many local programs in organizing events and providing support to athletes throughout Ontario. The Organization acts as a governing body over these programs.

The Organization has excluded these local programs from consolidation since the results of their activities are individually immaterial to the Organization, the Organization does not exercise financial control over these programs and the cost of preparing consolidated financial statements would exceed any benefits from doing so. These financial statements include only those assets, liabilities, revenues and expenses directly attributable to the Organization and do not include the operating results of the local programs.

#### b) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

Significant estimates include the estimated useful life of capital assets and certain accrued liabilities.

#### c) Foreign Currency Translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate, while non-monetary assets are translated at the rate of exchange prevailing at the date of the transaction. Revenues and expenses are translated at the rate of exchange in effect on the transaction date, except for amortization, which has been translated at the same foreign exchange rate as was used to record the cost of the related assets.



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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### d) Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of cash held in bank balances and investments readily convertible to cash. Investments consist of government bonds and guaranteed investment certificates. Investments held for the purposes of meeting short-term unrestricted commitments are shown as current assets and included in the reconciliation of unrestricted cash flows. Investments held for the purposes of supporting internally restricted net assets are shown as long-term assets.

#### e) Capital Assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and methods:

Furniture and fixtures	10 years straight-line
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#### f) Impairment of Capital Assets

When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the excess of revenues over expenses.

#### g) Revenue Recognition

The Organization follows the deferral method of accounting for contributions related to programs, fundraising and grant revenue. Restricted contributions, including grants, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Proceeds from Nevada tickets, memoriam and general revenues are recognized as revenue upon receipt. Interest revenue is recognized as earned on the cash and cashable money market accounts.

#### h) Contributed Services

Volunteers contribute a significant number of hours per year to assist the Organization in carrying out its activities. Because of the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### i) Financial Instruments

##### Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, investments, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and program funds segregated.

The Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

##### Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

#### j) Allocation of Expenses

The Organization reports expenses based on various operating functions as disclosed on the statement of operations. The costs of each function include salaries and benefits, supplies and other expenses that are directly related to the function. The Organization also incurs a number of administrative support expenses that are common to various functions, and allocates certain common administrative support expenses based on the following:

	Programs	Administrative	Fundraising
Rent and utilities	75%	10%	15%
General office expenses	75%	10%	15%
Telephones	75%	10%	15%
Bank charges	75%	10%	15%
Paper and printing	75%	10%	15%

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following:

	2019	2018
Cash and cash equivalents:		
Cash in bank	\$ 950,537	\$ 984,667
Cash and cash equivalents in investment account	<u>307,605</u>	<u>77,727</u>
	<u>\$ 1,258,142</u>	<u>\$ 1,062,394</u>
Investments (at cost):		
RBC GIC, 2.49%, due January 10, 2020	\$ 858,829	\$ -
RBC GIC, 2.49%, due January 10, 2020	858,829	-
RBC GIC, 2.49%, due January 10, 2020	858,829	-
RBC GIC, 2.49%, due January 10, 2020	772,372	-
RBC GIC, 2.49%, due January 10, 2020	250,000	-
Scotia Bank GIC, 2.00%, due October 30, 2019	100,000	-
Suncor Energy, common shares	4,947	-
RBC GIC, 1.83%, matured April 12, 2019	-	999,000
RBC GIC, 1.93%, matured April 30, 2019	-	700,000
RBC GIC, 1.93%, matured April 30, 2019	-	700,000
RBC GIC, 1.93%, matured April 30, 2019	-	700,000
Ontario Savings Bond 2014, 2.50%, matured June 21, 2019	-	300,000
RBC GIC, 1.84%, matured April 13, 2019	-	201,000
Scotia Bank GIC, 1.75%, matured June 29, 2019	-	104,991
	<u>\$ 3,703,806</u>	<u>\$ 3,704,991</u>
Total cash, cash equivalents and investments	<u>\$ 4,961,948</u>	<u>\$ 4,767,385</u>

Cash, cash equivalents and investments have been allocated as follows:

	2019	2018
Unrestricted cash, cash equivalents and short-term investments	\$ 2,511,948	\$ 2,517,385
Internally restricted investments	<u>2,450,000</u>	<u>2,250,000</u>
	<u>\$ 4,961,948</u>	<u>\$ 4,767,385</u>

The Organization allocated \$200,000 (2018 - \$50,000) from the current year's excess of revenues over expenses to the internally restricted reserve. A corresponding amount was added to internally restricted investments.

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 3. CAPITAL ASSETS

Capital assets consist of the following:

	2019		2018
	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	<u>\$ 171,194</u>	<u>\$ 119,835</u>	<u>\$ 51,359</u>
			<u>\$ 68,478</u>

### 4. PROGRAM FUNDS SEGREGATED

From time to time the Organization will hold funds from local programs when a program has become inactive. These funds must be returned when program activities resume.

### 5. DEFERRED CONTRIBUTIONS

Deferred contributions consist of unspent contributions restricted for future programs and events. The change in deferred contributions is as follows:

	2019	2018
<b>Balance - Beginning</b>	\$ 507,714	\$ 285,919
Add: Amounts received related to the following year	334,674	507,714
Less: Amounts recognized as revenue in the year	<u>(507,714)</u>	<u>(285,919)</u>
<b>Balance - Ending</b>	<u>\$ 334,674</u>	<u>\$ 507,714</u>

### 6. COMMUNITY ENDEAVOURS

The following programs operate individual activities autonomously. The funds generated by their endeavours, in their entirety, have been provided back to each program for their sole use as follows:

	2019	2018
Games	\$ 2,753,423	\$ 960,344
Communities	2,735,824	2,592,313
Clubs	422,291	431,964
Memberships	91,364	90,628
Regions	<u>66,311</u>	<u>20,902</u>
	<u>\$ 6,069,213</u>	<u>\$ 4,096,151</u>

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 7. STATEMENT OF OPERATIONS - ADDITIONAL INFORMATION

The amounts reflected in the statement of operations contain the following information included in various categories. Certain categories are defined by specific provisions and have restrictions placed thereon regarding their use.

#### a) Law Enforcement Torch Run

Law Enforcement Torch Run activities are used to fund opportunities provided to intellectually challenged athletes by the Organization and local programs. During the year, Law Enforcement Torch Run activities raised \$3,421,444 (2018 - \$2,351,158) in funding to assist in meeting the costs associated with these program opportunities.

#### b) Government Grants

The Organization received grants from various levels of government as follows:

	2019	2018
Provincial	\$ 936,088	\$ 472,546
Municipal	556,782	84,872
Federal	<u>513,500</u>	<u>531,872</u>
	<u>\$ 2,006,370</u>	<u>\$ 1,089,290</u>

#### c) Nevada Ticket Lottery

Net proceeds from the Nevada Ticket Lottery are used to fund expenses and programs specifically related to athlete involvement in Special Olympics. The activity related to the lottery is as follows:

	2019	2018
Ticket revenue	\$ 350,747	\$ 341,662
Ticket expenses	<u>(196,204)</u>	<u>(184,169)</u>
<b>Net Proceeds</b>	<u>\$ 154,543</u>	<u>\$ 157,493</u>

### 8. ACCREDITATION FEE

The Organization pays an annual accreditation fee to Special Olympics International. Included in accounts payable and accrued liabilities is an estimate of the annual fee for 2019 of \$40,000 (2018 - \$70,000).

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 9. COMMITMENTS

The Organization's lease agreement for its premises expires April 30, 2023. Future minimum annual rental payments (excluding property taxes, maintenance, and insurance) for each of the next four years are as follows:

2020	\$	66,824
2021		66,824
2022		66,824
2023		<u>55,687</u>
	\$	<u>256,159</u>

### 10. FINANCIAL INSTRUMENTS

#### Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's exposure to and concentrations of risk at June 30, 2019:

#### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to its accounts receivable. The Organization is not exposed to significant credit risk. There has been no change in the assessment of credit risk from the prior year.

#### b) Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities and program funds segregated. The Organization manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 10. FINANCIAL INSTRUMENTS - Continued

#### c) 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 price risk. The Organization is mainly exposed to currency and interest rate risk as follows:

#### i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2019, cash and cash equivalents of \$13,355 (2018 - \$69,177) are denominated in US dollars and have been converted into equivalent Canadian dollars at the exchange rate in effect at the year end. The exposure to this risk changes as the transaction amounts change and as the exchange rate fluctuates. The average US exchange rate for 2019 was 1.32 (2018 - 1.27).

#### ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Note 2, the Organization is exposed to interest rate risk with respect to its short-term and long-term investments. The exposure to this risk fluctuates as the investments and related interest rates change from year to year.

### 11. ALLOCATION OF EXPENSES

Administrative support expenses including rent, utilities and general office and overhead costs totaling \$280,622 (2018 - \$269,321) have been allocated to the following functions:

	2019	2018
Programs	\$ 210,467	\$ 201,991
Fundraising	42,093	40,398
Administrative	<u>28,062</u>	<u>26,932</u>
	<u>\$ 280,622</u>	<u>\$ 269,321</u>