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**SPECIAL OLYMPICS ONTARIO INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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## AUDITORS' REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Special Olympics Ontario Inc. (the "Organization"), which comprise the statement of financial position as at June 30, 2011 and the statements of operations, and changes in net assets, 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 and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### *Auditors' 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 Organization'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 Organization'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 audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Special Olympics Ontario Inc. as at June 30, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



NORTON MCMULLEN & CO. LLP  
Chartered Accountants, Licensed Public Accountants

MARKHAM, Canada  
October 3, 2011

DAVID J. NORTON CA  
WILLIAM L. McMULLEN CA  
JOHN C. KARRAM CA  
RODNEY J. RUSSELL CA  
PAUL A. SIMPSON CA  
PAUL W. McMULLEN CA  
MARK D. POTTER CA

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

As at June 30,

**2011****2010**

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**ASSETS****Current**

Unrestricted cash and cash equivalents	\$ 2,086,475	\$ 2,513,778
Accounts receivable	303,540	154,475
Prepaid expenses and sundry assets	13,973	144,599
	<u>\$ 2,403,988</u>	<u>\$ 2,812,852</u>

**Other**

Internally restricted cash and cash equivalents (Note 3)	<u>2,076,374</u>	<u>1,500,000</u>
	<u>\$ 4,480,362</u>	<u>\$ 4,312,852</u>

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**LIABILITIES****Current**

Accounts payable and accrued liabilities	\$ 548,591	\$ 577,371
Deferred contributions (Note 4)	18,000	453,532
	<u>\$ 566,591</u>	<u>\$ 1,030,903</u>

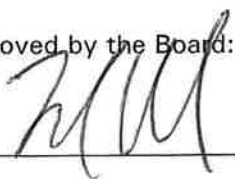
**NET ASSETS**

Internally restricted (Note 3)	\$ 2,076,374	\$ 1,500,000
Unrestricted	1,837,397	1,781,949
	<u>\$ 3,913,771</u>	<u>\$ 3,281,949</u>
	<u>\$ 4,480,362</u>	<u>\$ 4,312,852</u>

**Commitments (Note 7)**

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Approved by the Board:



Director



Director

# SPECIAL OLYMPICS ONTARIO INC.

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30,

2011

2010

### REVENUES

Programs	\$ 4,241,836	\$ 3,492,778
Fundraising	2,460,056	2,357,544
Nevada Tickets	305,530	313,332
Government grants	253,380	276,503
General	214,534	190,742
Interest	123,410	111,622
Memoriums	103,869	181,982
Gifts-in-kind	25,348	15,944
	<u>\$ 7,727,963</u>	<u>\$ 6,940,447</u>

### EXPENDITURES

Programs	\$ 5,891,244	\$ 5,089,704
Administrative	432,252	441,571
Marketing and advertising	319,880	403,398
Fundraising	289,659	355,914
Nevada tickets	163,106	171,646
	<u>\$ 7,096,141</u>	<u>\$ 6,462,233</u>

### EXCESS OF REVENUES OVER EXPENDITURES

\$ 631,822 \$ 478,214

Transfer to internally restricted net assets (Note 3)

(576,374) (455,000)

### NET INCREASE IN UNRESTRICTED NET ASSETS

\$ 55,448 \$ 23,214

UNRESTRICTED NET ASSETS – Beginning of year

1,781,949 1,758,735

UNRESTRICTED NET ASSETS – End of year

\$ 1,837,397 \$ 1,781,949

INTERNALLY RESTRICTED NET ASSETS – Beginning of year

\$ 1,500,000 \$ 1,045,000

Transfer from unrestricted net assets (Note 3)

576,374 455,000

INTERNALLY RESTRICTED NET ASSETS – End of year

\$ 2,076,374 \$ 1,500,000

See accompanying notes

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# SPECIAL OLYMPICS ONTARIO INC.

## STATEMENT OF CASH FLOWS

For the year ended June 30,

2011

2010

### UNRESTRICTED CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

#### OPERATING ACTIVITIES

Excess of revenues over expenditures	\$ 639,073	\$ 478,214
Less: Net allocation to program reserves	<u>(576,374)</u>	<u>(455,000)</u>
	\$ 62,699	\$ 23,214
Net change in non-cash working capital balances		
Accounts receivable	(156,316)	(138,378)
Prepaid expenses and sundry assets	130,626	(136,218)
Accounts payable and accrued liabilities	(28,780)	(170,331)
Deferred contributions	<u>(435,532)</u>	<u>(130,259)</u>
<b>DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>\$ (427,303)</b>	<b>\$ (551,972)</b>
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>2,513,778</u></b>	<b><u>3,065,750</u></b>
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 2,086,475</u></b>	<b><u>\$ 2,513,778</u></b>

#### SUPPLEMENTARY CASH FLOW INFORMATION

Unrestricted cash and cash equivalents consist of the following:

Cash	\$ 299,471	\$ 1,001,780
Cashable investments	<u>1,787,004</u>	<u>1,511,998</u>
	<u>\$ 2,086,475</u>	<u>\$ 2,513,778</u>

See accompanying notes

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 1. 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Revenue Recognition

The Organization follows the deferral method of accounting for contributions related to programs and fundraising revenue. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions 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, government grants, and memoriums are recognized as revenue upon receipt. Interest revenue is recognized as earned on the cashable investments.

#### (b) Equipment

Equipment is recorded at cost less accumulated amortization. At present the equipment has been fully amortized. Amortization would be provided annually at rates intended to write off the assets over their estimated useful lives as follows:

Vehicles	4 years – straight-line
Furniture and fixtures	5 years – straight-line

#### (c) Donated Services

The Organization's activities include time donated by a substantial number of volunteers. Since no objective basis exists for recording and assigning values to these services, they are not reflected in the accompanying financial statements.

#### (d) Regional Organizations

The regional organizations operate principally on an autonomous basis and their assets, liabilities and expenses are not included in these financial statements.

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from the estimates used.

#### (f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in chequing and cashable money market accounts as well as highly liquid investment instruments such as government savings and corporate bonds. No one instrument comprises more than 20% of the total available cash and cash equivalents of the Organization.

#### (g) Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates fair value due to their short-term maturities.

#### (h) Allocation of Expenses

The Organization engages in programs, fundraising, marketing and advertising functions. 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 the administration of the Organization and some of its functions. The Organization allocates certain general support expenses to its programs, fundraising and administrative functions as follows:

Rent and Utilities	-	50% Programs (Including Torch Run), 25% Fundraising, 25% Administrative
Computers and equipment	-	50% Programs (Including Torch Run), 25% Fundraising, 25% Administrative
Telephones	-	50% Programs (Including Torch Run), 25% Fundraising, 25% Administrative
Bank charges	-	34% Programs, 33% Fundraising, 33% Administrative
Paper and Printing	-	34% Programs, 33% Fundraising, 33% Administrative

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 3. INTERNALLY RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents have been internally restricted to fund program reserves as follows:

	2011	2010
Balance – Beginning of year	\$ 1,500,000	\$ 1,045,000
Net transfers	<u>576,374</u>	<u>455,000</u>
Balance – End of year	<u>\$ 2,076,374</u>	<u>\$ 1,500,000</u>

The Organization has segregated the amount of \$576,374 (2010 - \$455,000) in the current year for program reserves to ensure adequate funding of its future events and programs.

### 4. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources restricted for future programs or events to be undertaken.

### 5. REVENUES AND EXPENDITURES

The Statement of Operations contains the following revenue and expenditure information. Each category of revenue contains specific provisions and restrictions regarding their use.

#### (a) Nevada Ticket Lottery

	2011	2010
Ticket revenue	\$ 305,530	\$ 313,332
Ticket expenses	<u>(163,106)</u>	<u>(171,646)</u>
Net Proceeds	<u>\$ 142,424</u>	<u>\$ 141,686</u>

Net proceeds were used to fund expenses and programs specifically related to athlete involvement in Special Olympics.

#### (b) Law Enforcement Torch Run

	2011	2010
Contributions		
Fundraising	\$ 1,174,945	\$ 831,489
General	<u>164,174</u>	<u>396,653</u>
	<u>\$ 1,339,119</u>	<u>\$ 1,228,142</u>

Contributions were used to fund the program activities of the Organization.



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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 5. REVENUES AND EXPENDITURES (Continued)

#### (c) Fundraising and Programs

Included in fundraising and programs are activities operated by the following categories of entities which operate on an autonomous basis using generated funds for their sole use.

	2011	2010
Communities	\$ 1,656,366	\$ 1,590,865
Games/registrations	1,701,194	1,170,244
Affiliates/other	405,065	594,035
Clubs	313,390	298,491
Regions	85,659	41,480

### 6. ACCREDITATION FEE

The Organization pays an annual accreditation fee to Special Olympics International based on a prescribed formula of unrestricted net funds. The accrued fee for 2011 is \$30,000 (2010 - \$32,000).

### 7. COMMITMENTS

The Organization has entered into a lease agreement for its premises expiring in October 2012 with an option for two further years. Minimum aggregate annual payments for the lease term up to and including the first option term are as follows:

2012	\$ 64,660
2013	64,660
2014	21,520

### 8. FINANCIAL INSTRUMENTS

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, 2011.

#### (a) 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. The Organization is exposed to interest rate risk due to the use of fixed rate investments. The Organization mitigates this risk by spreading available invested funds amongst low risk, insurable financial investments.

#### (b) 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 is not exposed to significant credit risk as 69% of the accounts receivable are due from fundraising events that have taken place prior to the year end. The proceeds due to the Organization from these events are determined at the completion of the event and are accrued accordingly. The accrued amounts are receivable from a closely affiliated organization.

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# SPECIAL OLYMPICS ONTARIO INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 8. FINANCIAL INSTRUMENTS (Continued)

#### (c) 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. The Organization is not exposed to significant currency risk given that the volume of foreign transactions is relatively immaterial. As at June 30, 2011, cash and cash equivalents of \$29,258 are denominated in US dollars and have been converted into Canadian dollars.

### 9. CAPITAL MANAGEMENT

In managing capital, the Organization focuses on liquid resources available to support its operations and objectives. The Organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events. The need for sufficient liquid resources is considered in the preparation of annual budgets and in the continuous monitoring of fundraising events held by various communities, regions and entities that provide support for the Organization. The Organization also maintains an internally restricted fund supported by cash and cash equivalents to provide for any contingency that may arise. As at June 30, 2011, the Organization has met its objective of maintaining sufficient liquid resources to meet its current operating obligations.

### 10. ALLOCATION OF EXPENSES

Administrative support expenses including rent and utilities, computers and equipment, telephone, bank charges, paper and printing costs totaling \$302,357 (2010 - \$232,033) have been allocated to the following functions:

	2011	2010
Programs	\$ 133,025	\$ 105,743
Fundraising	84,666	63,145
Administrative	<u>84,666</u>	<u>63,145</u>
	<u>\$ 302,357</u>	<u>\$ 232,033</u>

### 11. FINANCIAL STATEMENT PRESENTATION

Certain comparative figures have been restated to conform to the presentation adopted in the current year.