

IMAGININGS *Let the dreams begin*

**Special
Olympics**
Ontario



2012 Financial
Statements

SPECIAL OLYMPICS ONTARIO INC.
FINANCIAL STATEMENTS
JUNE 30, 2012

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INDEPENDENT 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, 2012 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, 2012 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
September 28, 2012

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

As at June 30,

2012

2011

ASSETS**Current**

Unrestricted cash and cash equivalents	\$ 2,444,653	\$ 2,086,475
Accounts receivable	130,468	303,540
Prepaid expenses and sundry assets	<u>34,621</u>	<u>13,973</u>
	\$ 2,609,742	\$ 2,403,988

Other

Internally restricted cash and cash equivalents (Note 3)	<u>2,076,374</u>	<u>2,076,374</u>
	\$ <u>4,686,116</u>	\$ <u>4,480,362</u>

LIABILITIES**Current**

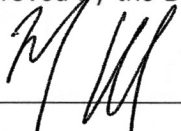
Accounts payable and accrued liabilities	\$ 570,513	\$ 548,591
Deferred contributions (Note 4)	<u>31,300</u>	<u>18,000</u>
	\$ <u>601,813</u>	\$ <u>566,591</u>

NET ASSETS

Internally restricted (Note 3)	\$ 2,076,374	\$ 2,076,374
Unrestricted	<u>2,007,929</u>	<u>1,837,397</u>
	\$ <u>4,084,303</u>	\$ <u>3,913,771</u>
	\$ <u>4,686,116</u>	\$ <u>4,480,362</u>

Commitments (Note 7)

Approved by the Board:

_____
DirectorMatthew Cockburn
Chair - Board of Directors_____
DirectorRobert Wilkes
Secretary & Audit Committee Chair

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

For the year ended June 30,

2012

2011

REVENUES

Programs	\$ 4,243,739	\$ 4,241,836
Fundraising	2,258,089	2,460,056
Nevada Tickets	346,819	305,530
Government grants	308,812	253,380
General	267,952	214,534
Interest	78,851	123,410
Memoriums	10,341	103,869
Gifts-in-kind	10,000	25,348
	<u>\$ 7,524,603</u>	<u>\$ 7,727,963</u>

EXPENDITURES

Programs	\$ 6,226,076	\$ 5,891,244
Administrative	345,929	432,252
Marketing and advertising	336,610	319,880
Fundraising	254,122	289,659
Nevada tickets	191,334	163,106
	<u>\$ 7,354,071</u>	<u>\$ 7,096,141</u>

EXCESS OF REVENUES OVER EXPENDITURES

	\$ 170,532	\$ 631,822
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Transfer to internally restricted net assets (Note 3)	<u>-</u>	<u>(576,374)</u>
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NET INCREASE IN UNRESTRICTED NET ASSETS

	\$ 170,532	\$ 55,448
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UNRESTRICTED NET ASSETS – Beginning of year

	<u>1,837,397</u>	<u>1,781,949</u>
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UNRESTRICTED NET ASSETS – End of year

	<u>\$ 2,007,929</u>	<u>\$ 1,837,397</u>
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INTERNALLY RESTRICTED NET ASSETS – Beginning of year

	\$ 2,076,374	\$ 1,500,000
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Transfer from unrestricted net assets (Note 3)	<u>-</u>	<u>576,374</u>
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INTERNALLY RESTRICTED NET ASSETS – End of year

	<u>\$ 2,076,374</u>	<u>\$ 2,076,374</u>
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See accompanying notes

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SPECIAL OLYMPICS ONTARIO INC.**STATEMENT OF CASH FLOWS**

For the year ended June 30,

2012

2011

**UNRESTRICTED CASH AND CASH EQUIVALENTS
WERE PROVIDED BY (USED IN):****OPERATING ACTIVITIES**

Excess of revenues over expenditures	\$ 170,532	\$ 639,073
Less: Net allocation to program reserves	<u>-</u>	<u>(576,374)</u>
	\$ 170,532	\$ 62,699
Net change in non-cash working capital balances		
Accounts receivable	173,072	(156,316)
Prepaid expenses and sundry assets	(20,648)	130,626
Accounts payable and accrued liabilities	21,922	(28,780)
Deferred contributions	<u>13,300</u>	<u>(435,532)</u>
DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 358,178	\$ (427,303)
UNRESTRICTED CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,086,475</u>	<u>2,513,778</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,444,653</u>	<u>\$ 2,086,475</u>

SUPPLEMENTARY CASH FLOW INFORMATION

Unrestricted cash and cash equivalents consist of the following:

Cash	\$ 526,216	\$ 299,471
Cashable investments	<u>1,918,437</u>	<u>1,787,004</u>
	<u>\$ 2,444,653</u>	<u>\$ 2,086,475</u>

See accompanying notes

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SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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.

(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.

(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.

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

3. INTERNALLY RESTRICTED CASH AND CASH EQUIVALENTS

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

	2012	2011
Balance – Beginning of year	\$ 2,076,374	\$ 1,500,000
Net transfers	<u>-</u>	<u>576,374</u>
Balance – End of year	<u>\$ 2,076,374</u>	<u>\$ 2,076,374</u>

The Organization has segregated the amount of \$nil (2011 - \$576,374) 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.

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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**

	2012	2011
Ticket revenue	\$ 346,819	\$ 305,530
Ticket expenses	<u>(191,334)</u>	<u>(163,106)</u>
Net Proceeds	<u>\$ 155,485</u>	<u>\$ 142,424</u>

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

(b) **Law Enforcement Torch Run**

	2012	2011
Contributions		
Fundraising	\$ 896,578	\$ 1,174,945
General	<u>224,049</u>	<u>164,174</u>
	<u>\$ 1,120,627</u>	<u>\$ 1,339,119</u>

Contributions were used to fund the program activities of the Organization. Law Enforcement Torch Run and its partners raised an additional \$579,069 in cash donations to fund provincial games.

(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.

	2012	2011
Communities	\$ 2,006,078	\$ 1,656,366
Games/registrations	1,342,735	1,701,194
Affiliates/other	430,761	405,065
Clubs	285,606	313,390
Regions	111,559	85,659

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 2012 is \$25,000 (2011 - \$30,000).

7. COMMITMENTS

The Organization has terminated its current lease agreement for its premises and has entered into a new lease for premises starting November 2012. Minimum aggregate annual payments are as follows:

2013	\$	28,244
2014		19,490
2015		38,981
2016		41,765
2017		41,765

8. 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, 2012.

(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 risks relate to its accounts receivable. There were no concentrations of credit risk as at June 30, 2012.

(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. The Organization manages this risk by managing its working capital and ensuring that sufficient cash flow available to meet obligations.

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

8. 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 risk and price risk.

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 exchange rates. As at June 30, 2012 cash of \$3,614 (2011 - \$29,258) are denominated in US dollars and have been converted into equivalent Canadian dollars at the exchange rate in effect at the year end.

ii) Price Risk

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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to price risk through its investments.

The Organization mitigates price risk by ensuring funds invested are segregated into insurable instruments and no one investment instrument can comprise 20% of the total investment portfolio.

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, 2012, 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 \$202,939 (2011 - \$302,357) have been allocated to the following functions:

	2012	2011
Programs	\$ 90,119	\$ 133,025
Fundraising	56,410	84,666
Administrative	56,410	84,666
	<u>\$ 202,939</u>	<u>\$ 302,357</u>

Be a fan Day

October 25, 2012



To commemorate this 25 year milestone and raise awareness for Special Olympics - red laces unite Law Enforcement officers and fans alike.

**Dignity...Respect...
Acceptance...
BE A FAN!**

beafancanada.com

