



2014 Financial Statements

Special Olympics
Ontario



SPECIAL OLYMPICS ONTARIO INC.
FINANCIAL STATEMENTS
JUNE 30, 2014

INDEX

- Page 1. Independent Auditors' Report**
- 2. Statement of Financial Position**
- 3. Statement of Operations and Changes in Net Assets**
- 4. Statement of Cash Flows**
- 5-12. Notes to Financial Statements**

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. which comprise the statement of financial position as at June 30, 2014 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 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.

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 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 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, evaluating the overall presentation of the financial statements.

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, 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.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
September 25, 2014

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

As at June 30,

2014**2013**

ASSETS**Current**

Unrestricted cash, cash equivalents, and short-term investments (Note 2)	\$ 2,453,941	\$ 2,097,183
Accounts receivable	184,627	328,654
Prepaid expenses	<u>474,143</u>	<u>148,453</u>
	\$ 3,112,711	\$ 2,574,290

Internally Restricted Investments (Note 2)	<u>2,076,374</u>	2,076,374
--	------------------	-----------

Capital Assets (Note 3)	<u>175,508</u>	<u>154,075</u>
-------------------------	----------------	----------------

	<u>\$ 5,364,593</u>	<u>\$ 4,804,739</u>
--	---------------------	---------------------

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 331,120	\$ 378,298
Program funds segregated (Note 4)	343,389	296,688
Deferred contributions (Note 5)	<u>608,726</u>	<u>65,200</u>
	\$ 1,283,235	\$ 740,186

NET ASSETS

Internally restricted	\$ 2,076,374	\$ 2,076,374
Unrestricted	<u>2,004,984</u>	<u>1,988,179</u>
	\$ 4,081,358	\$ 4,064,553

	<u>\$ 5,364,593</u>	<u>\$ 4,804,739</u>
--	---------------------	---------------------

Commitments (Note 8)

Approved by the Board:



Director



Director

See accompanying notes

- 2 -

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

For the year ended June 30,

2014

2013

REVENUES

Programs	\$ 3,612,753	\$ 3,851,857
Fundraising	2,630,540	2,353,271
Government grants	312,151	233,944
Nevada tickets	226,452	247,415
General	158,101	265,876
Interest	111,282	107,671
Memoriam	17,235	31,515
Gifts-in-kind	9,637	10,000
	<u>\$ 7,078,151</u>	<u>\$ 7,101,549</u>

EXPENDITURES

Programs	\$ 5,858,651	\$ 5,807,139
Administrative	377,825	389,386
Fundraising	350,389	470,669
Marketing and advertising	344,986	322,568
Nevada tickets	129,495	131,537
	<u>\$ 7,061,346</u>	<u>\$ 7,121,299</u>

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES

\$ 16,805 \$ (19,750)

Transfer to internally restricted net assets

- -**NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS**

\$ 16,805 \$ (19,750)

UNRESTRICTED NET ASSETS - Beginning1,988,179 2,007,929**UNRESTRICTED NET ASSETS - Ending**\$ 2,004,984 \$ 1,988,179**INTERNALLY RESTRICTED NET ASSETS - Beginning**

\$ 2,076,374 \$ 2,076,374

Transfer from unrestricted net assets

- -**INTERNALLY RESTRICTED NET ASSETS - Ending**\$ 2,076,374 \$ 2,076,374

See accompanying notes

- 3 -

SPECIAL OLYMPICS ONTARIO INC.

STATEMENT OF CASH FLOWS

For the year ended June 30,

2014

2013

UNRESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Excess (deficiency) of revenue over expenditures	\$ 16,805	\$ (19,750)
Items not affecting cash flows		
Amortization	<u>55,672</u>	<u>17,119</u>
	\$ 72,477	\$ (2,631)
Net change in non-cash working capital balances		
Accounts receivable	144,027	(198,186)
Prepaid expenses	(325,690)	(113,832)
Accounts payable and accrued liabilities	(47,178)	(27,195)
Program funds segregated	46,701	131,668
Deferred contributions	<u>543,526</u>	<u>33,900</u>
	\$ 433,863	\$ (176,276)

INVESTING ACTIVITIES

Purchase of capital assets	\$ (77,105)	\$ (171,194)
----------------------------	-------------	--------------

INCREASE (DECREASE) IN UNRESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	\$ 356,758	\$ (347,470)
--	------------	--------------

UNRESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS - Beginning

	<u>2,097,183</u>	<u>2,444,653</u>
--	------------------	------------------

UNRESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS - Ending

	<u>\$ 2,453,941</u>	<u>\$ 2,097,183</u>
--	---------------------	---------------------

SUPPLEMENTARY CASH FLOW INFORMATION

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

Cash	\$ 225,691	\$ 397,167
Cashable money market accounts	1,554,624	1,676,390
Allocated short-term investments	<u>673,626</u>	<u>23,626</u>
	<u>\$ 2,453,941</u>	<u>\$ 2,097,183</u>

See accompanying notes

- 4 -

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 expenditures directly attributable to the Organization and do not include the operating results of the local programs.

b) 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 expenditures 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 memoriam and general revenues are recognized as revenue upon receipt. Interest revenue is recognized as earned on the cash and cashable money market accounts.

c) 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:

Computers	2 years straight line
Furniture and fixtures	10 years straight line

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Impairment of Long-Lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flow resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. There are no impairment indicators in the current year.

e) 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.

f) 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 and disclosure of contingent 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.

g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in chequing and cashable money market accounts and are recorded at cost.

h) 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, 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.

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

h) Financial Instruments - Continued

Transaction Costs

The Organization recognizes its transaction costs in net income in the period incurred except for financial instruments that will not be subsequently measured at fair value. The carrying amounts of these instruments are adjusted by the transaction costs that are directly attributable to their issuance.

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 net income 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.

i) 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:

	2014		
	General	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%

	2013		
	General	Administrative	Fundraising
Rent and utilities	50%	25%	25%
General office expenses	50%	25%	25%
Telephones	50%	25%	25%
Bank charges	34%	33%	33%
Paper and printing	34%	33%	33%

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following:

	2014	2013
Cash and cash equivalents:		
Cash in bank	\$ 225,691	\$ 397,167
Cashable money market accounts	<u>1,554,624</u>	<u>1,676,390</u>
	<u>\$1,780,315</u>	<u>\$2,073,557</u>
Short-term investments (at cost):		
Pacific & Western GIC, 1.65%, due September 24, 2014	\$ 100,000	\$ -
Canadian Western Bank GIC, 1.75%, due September, 24, 2014	100,000	-
ING Bank GIC, 1.80%, due August 21, 2014	100,000	-
ING Bank GIC, 1.80%, due September 24, 2014	100,000	-
Korea Exchange Bank GIC, 1.60%, due September 24, 2014	100,000	-
Vancity Credit Union, 1.7%, due September 24, 2014	100,000	-
Bank of Nova Scotia GIC, 1.76%, due September 16, 2013	-	200,000
Home Trust Company GIC, 1.85%, due September 16, 2013	-	100,000
Laurentian Bank GIC, 1.80%, due September 16, 2013	-	100,000
LBC Trust GIC, 1.80%, due September 16, 2013	-	100,000
Montreal Trust CDA GIC, 1.76%, due September 16, 2013	-	100,000
Pacific & Western GIC, 1.75%, due September 16, 2013	-	100,000
B2B Trust GIC, 1.80%, due September 23, 2013	-	100,000
Resmor Trust Company GIC, 1.75%, due September 23, 2013	-	100,000
TD Mortgage Corp. GIC, 1.60%, due September 23, 2013	-	100,000
TD Pacific MTGE Corp. GIC, 1.60%, due September 23, 2013	-	100,000
Ontario Savings Bond 2009, 4.50%, due June 21, 2014	-	200,000
	<u>\$ 600,000</u>	<u>\$1,300,000</u>
Long-term investments (at cost):		
Ontario Savings Bond 2010, 4.25%, due June 21, 2015	\$ 300,000	\$ 300,000
Ontario Savings Bond 2011, 2.50%, due June 21, 2016	300,000	300,000
Ontario Savings Bond 2014, 1.25%, due June 21, 2019	300,000	-
Ontario Savings Bond 2009, 1.30%, due June 21, 2016	200,000	200,000
BMO Advisors Advantage GIC, 1.90%, due September 24, 2015	200,000	-
Laurentian Bank GIC, 1.90%, due September 24, 2015	100,000	-
B2B Trust GIC, 1.90%, due September 28, 2015	100,000	-
LBC Trust GIC, 1.90%, due September 24, 2015	100,000	-
ICICI Bank GIC, 2.05%, due September 24, 2015	100,000	-
Manulife Trust GIC, 1.90%, due September 24, 2015	100,000	-
Home Trust Co. GIC, 2.20%, due September 24, 2015	100,000	-
Manulife Bank GIC, 1.90%, due September 24, 2015	100,000	-
Equitable Bank GIC, 1.9%, due September 24, 2015	100,000	-
Scotia Bank GIC, 1.9%, due February 20, 2016	50,000	-
	<u>\$2,150,000</u>	<u>\$ 800,000</u>
Total cash, cash equivalents and investments	<u>\$4,530,315</u>	<u>\$4,173,557</u>

- 8 -

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

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

	2014	2013
Unrestricted cash, cash equivalents and short-term investments	\$2,453,941	\$2,097,183
Internally restricted investments	<u>2,076,374</u>	<u>2,076,374</u>
	<u>\$4,530,315</u>	<u>\$4,173,557</u>

3. CAPITAL ASSETS

Capital assets consist of:

	2014		2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	\$ 77,105	\$ 38,552	\$ 38,553	\$ -
Furniture and fixtures	<u>171,194</u>	<u>34,239</u>	<u>136,955</u>	154,075
	<u>\$ 248,299</u>	<u>\$ 72,791</u>	<u>\$ 175,508</u>	<u>\$ 154,075</u>

4. PROGRAM FUNDS SEGREGATED

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

5. DEFERRED CONTRIBUTIONS

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

	2014	2013
Balance - Beginning	\$ 65,200	\$ 31,300
Less: amount recognized as revenue in the year	(65,200)	(31,300)
Add: amount received related to the following year	<u>608,726</u>	<u>65,200</u>
Balance - Ending	<u>\$ 608,726</u>	<u>\$ 65,200</u>

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

6. 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

	2014	2013
Ticket revenue	\$ 226,452	\$ 247,415
Ticket expenditures	<u>(129,495)</u>	<u>(131,537)</u>
Net Proceeds	<u>\$ 96,957</u>	<u>\$ 115,878</u>

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

b) Law Enforcement Torch Run

Law Enforcement Torch Run contributions are used to fund the program activities of the Organization and are included in the following revenue categories:

	2014	2013
Fundraising	1,105,016	\$ 771,000
Program	380,334	722,784
General	<u>99,896</u>	<u>228,763</u>
	<u>\$1,585,246</u>	<u>\$1,722,547</u>

c) Fundraising and Programs

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

	2014	2013
Communities	\$2,103,585	\$2,092,408
Games / registrations	500,830	806,428
Affiliates / other	422,581	420,288
Clubs	253,178	281,097
Regions	69,365	54,994

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

7. 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 2014 is \$22,000 (2013 - \$25,000).

8. 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 five years are as follows:

2015	\$ 38,981
2016	41,765
2017	41,765
2018	58,471
2019	<u>66,824</u>
	<u>\$ 247,806</u>

9. 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, 2014:

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, 2014 and 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. 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 period.

SPECIAL OLYMPICS ONTARIO INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

9. 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 interest rate risk as follows:

i) 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 Organization does not currently hold any financial instruments to mitigate this risk. The exposure to this risk fluctuates as the investments and related interest rates change from year to year.

10. ALLOCATION OF EXPENSES

Administrative support expenses including rent, utilities and general office and overhead costs totaling \$231,272 (2013 - \$263,697) have been allocated to the following functions:

	2014	2013
Programs	\$ 173,447	\$ 119,307
Fundraising	34,695	72,195
Administrative	<u>23,130</u>	<u>72,195</u>
	<u>\$ 231,272</u>	<u>\$ 263,697</u>

10. COMPARATIVE FIGURES

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



***Special
Olympics
Ontario***

Special Olympics Ontario
65 Overlea Boulevard, Suite 200
Toronto, ON M4H 1P1

Tel: (416) 447-8326
Toll Free: 1-888-333-5515

www.specialolympicsontario.com

Registered Charitable Number
11906 8435 RR0001