

Special Olympics Alberta Association

Financial statements
June 30, 2020



Independent auditor's report

To the Members of
Special Olympics Alberta Association

Qualified opinion

We have audited the financial statements of **Special Olympics Alberta Association** [the "Association"], which comprise the statement of financial position as at June 30, 2020, and the statement of changes in net assets, statement of operations, 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, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at June 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with many not-for-profit organizations, the Association derives a portion of its revenue from donations, fundraising and special projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were unable to determine whether any adjustments for unrecorded revenue might be necessary to revenue, excess of revenue over expenses, unrestricted net assets and cash provided by (used in) operating activities.

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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 qualified opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

Edmonton, Canada
September 19, 2020

Ernst & Young LLP

Chartered Professional Accountants



Special Olympics Alberta Association

Statement of financial position

As at June 30

	2020	2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,364,585	1,383,775
Investments <i>[note 3]</i>	1,117,440	1,106,353
Accounts receivable <i>[note 8]</i>	473,639	258,365
Goods and services tax receivable	7,702	30,163
Prepaid expenses	8,072	6,340
Total current assets	2,971,438	2,784,996
Capital assets, net <i>[note 4]</i>	3,562	999
	2,975,000	2,785,995
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities <i>[note 8]</i>	171,687	101,864
Deferred contributions <i>[note 5]</i>	698,243	614,109
Total liabilities	869,930	715,973
Net assets		
Internally funded capital assets	3,562	999
Contingency fund <i>[note 6]</i>	1,160,085	1,149,602
Unrestricted	941,423	919,421
Total net assets	2,105,070	2,070,022
	2,975,000	2,785,995

See accompanying notes

On behalf of the Board:

Director

Director

Special Olympics Alberta Association

Statement of changes in net assets

Year ended June 30

	2020			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	999	1,149,602	919,421	2,070,022
Excess of revenue over expenses for the year	—	—	35,048	35,048
Amortization of capital assets	(1,435)	—	1,435	—
Additions of capital assets	3,998	—	(3,998)	—
Transfer to contingency fund	—	10,483	(10,483)	—
Balance, end of the year	3,562	1,160,085	941,423	2,105,070

	2019			
	Internally restricted			
	Internally funded capital assets	Contingency fund	Unrestricted	Total
	\$	\$	\$	\$
	<i>[note 6]</i>			
Balance, beginning of the year	11,833	1,112,601	930,525	2,054,959
Excess of revenue over expenses for the year	—	—	15,063	15,063
Amortization of capital assets	(7,129)	—	7,129	—
Disposal of capital assets	(4,086)	—	4,086	—
Repayment of capital lease obligation	381	—	(381)	—
Transfer to contingency fund	—	37,001	(37,001)	—
Balance, end of the year	999	1,149,602	919,421	2,070,022

See accompanying notes

Special Olympics Alberta Association

Statement of operations

Year ended June 30

	2020	2019
	\$	\$
Revenue [schedule 1]		
National sponsors	284,370	296,279
General donations	155,829	247,911
Government funding	406,875	431,799
Events	111,148	124,752
Alberta Gaming, Liquor and Cannabis Commission	196,259	289,952
Foundations	300,184	300,821
Other income	16,423	26,270
	1,471,088	1,717,784
Expenses [schedule 2]		
Sport programs and events	155,324	210,978
Unified sports programs	92,232	65,827
Provincial games	32,297	286,867
Team Alberta [national games]	203,716	150,498
Affiliate services	468,612	515,062
Communications	91,000	106,393
Fund development	288,567	221,053
Law Enforcement Torch Run	114,447	99,814
Alberta Gaming, Liquor and Cannabis Commission	(3,005)	82,158
Administration	11,778	9,384
	1,454,968	1,748,034
Excess (deficiency) of revenue over expenses before other income	16,120	(30,250)
Other income (expenses)		
Investment income [note 3]	29,925	56,122
Investment management fees	(10,997)	(10,809)
	18,928	45,313
Excess of revenue over expenses for the year	35,048	15,063

See accompanying notes

Special Olympics Alberta Association

Statement of cash flows

Year ended June 30

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	35,048	15,063
Add (deduct) items not affecting cash		
Change in fair value of investments	(11,087)	91,479
Amortization of capital assets	1,435	7,129
Loss on disposal of capital assets	—	1,936
	<u>25,396</u>	115,607
Changes in non-cash working capital balances related to operations		
Accounts receivable	(215,274)	(121,917)
Goods and services tax receivable	22,461	(11,347)
Prepaid expenses	(1,732)	991
Accounts payable and accrued liabilities	69,823	(559)
Deferred contributions	84,134	111,785
Cash provided by (used in) operating activities	<u>(15,192)</u>	94,560
Investing activities		
Additions to capital assets	(3,998)	—
Proceeds on sale of capital assets	—	2,150
Cash provided by investing activities	<u>(3,998)</u>	2,150
Financing activities		
Repayment of capital lease obligation	—	(381)
Cash used in financing activities	<u>—</u>	(381)
Net increase (decrease) in cash during the year	(19,190)	96,329
Cash and cash equivalents, beginning of the year	1,383,775	1,287,446
Cash and cash equivalents, end of the year	<u>1,364,585</u>	<u>1,383,775</u>

See accompanying notes

Schedule of revenue

Year ended June 30

	2020	2019
	\$	\$
National sponsors		
Staples	14,930	57,683
Home Hardware	14,000	14,000
Wolseley	4,250	4,250
Sobeys	170,682	126,433
Signature Authentics	44,383	61,778
Tim Horton's	33,670	32,135
Other	2,455	—
	284,370	296,279
General donations		
Memorial contributions	25	25,269
Provincial games	—	76,050
Community program revenue	6,566	13,657
Draft an Athlete	38,250	4,000
Personal Best	41,746	11,199
Other	69,242	117,736
	155,829	247,911
Government funding		
Alberta Government – Sport, Physical Activity and Recreation – Core	87,901	92,528
Alberta Government – Sport, Physical Activity and Recreation – other	30,000	30,000
Rent [gift-in-kind] [note 7]	—	6,251
Government of Canada	288,974	253,020
Government of Alberta – CIP Grant	—	50,000
	406,875	431,799
Events		
Law Enforcement Torch Run	111,148	124,752
	111,148	124,752
Alberta Gaming, Liquor and Cannabis Commission		
Casino	177,110	182,803
LETR Harley Raffle	19,149	107,149
	196,259	289,952
Foundations		
Special Olympics Canada Inc. Foundation	288,184	284,700
Slaight Foundation	12,000	16,121
	300,184	300,821
Other income		
Miscellaneous	16,423	26,270
Total revenue	1,471,088	1,717,784

See accompanying notes

Schedule of expenses by department

Year ended June 30

	2020	2019
	\$	\$
Sport programs and events		
Direct sport programs and events expenses	59,790	75,183
Sport programs and events salaries and benefits	61,747	84,299
Allocated costs	33,787	51,496
	<u>155,324</u>	<u>210,978</u>
Unified sport programs		
Direct unified sport programs expenses	60,549	52,981
Unified sport programs salaries and benefits	31,683	12,846
	<u>92,232</u>	<u>65,827</u>
Provincial games		
Direct provincial games expenses	643	239,918
Provincial games salaries and benefits	23,207	34,075
Allocated costs	8,447	12,874
	<u>32,297</u>	<u>286,867</u>
Team Alberta [national games]		
Direct Team Alberta expenses	163,339	74,277
Team Alberta salaries and benefits	23,484	50,473
Allocated costs	16,893	25,748
	<u>203,716</u>	<u>150,498</u>
Affiliate services		
Direct affiliate services expenses	168,463	208,607
Affiliate services salaries and benefits	257,915	242,085
Allocated costs	42,234	64,370
	<u>468,612</u>	<u>515,062</u>
Communications		
Direct communications expenses	4,651	4,788
Communications salaries and benefits	61,009	62,984
Allocated costs	25,340	38,621
	<u>91,000</u>	<u>106,393</u>

See accompanying notes

Schedule of expenses by department [cont'd]

Year ended June 30

	2020	2019
	\$	\$
Fund development		
Direct fund development expenses	123,158	99,055
Fund development salaries and benefits	131,622	70,503
Allocated costs	33,787	51,495
	288,567	221,053
Law Enforcement Torch Run		
Law Enforcement Torch Run salaries and benefits	101,456	85,332
Allocated costs	12,991	14,482
	114,447	99,814
Alberta Gaming, Liquor and Cannabis Commission		
Direct Alberta Gaming, Liquor & Cannabis Commission expenses	(3,005)	82,158
	(3,005)	82,158
Administration		
Direct administration expenses	115,144	146,508
Administration salaries and benefits	64,134	92,724
Amortization of capital assets	1,435	7,129
Allocated costs [note 9]	(168,935)	(236,977)
	11,778	9,384
Total expenses	1,454,968	1,748,034

See accompanying notes

Special Olympics Alberta Association

Notes to financial statements

June 30, 2020

1. The organization

Special Olympics Alberta Association [the "Association"] provides year-round athletic and sports training programs and competitions for persons with an intellectual disability. The Association is a registered charity, exempt from income taxes under the *Income Tax Act* (Canada), and incorporated under the *Societies Act* of the Province of Alberta.

The Association is affiliated with Special Olympics Canada Inc. as well as provincial affiliates operating as accredited chapters under the authority of the Board of Special Olympics Alberta Association. The provincial affiliates have similar objectives to the Association and operate independently under the auspices of local volunteer management committees.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada, and includes the significant accounting policies summarized below.

Basis of accounting

These financial statements include only those assets, liabilities, revenue and expenses of the Association and do not include the accounts or operating results of any provincial affiliates. Separate financial statements are prepared by the provincial affiliates.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Grants are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, as pledges are not legally enforceable claims. Unrestricted contributions from events and other activities are recognized as revenue when initially recorded in the accounts as the event or activities occur. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Contributions specifically designated for capital purposes are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Contributed goods and services are reflected in the financial statements at fair value if fair value can be reasonably determined. Volunteer hours and services are not recognized in the financial statements due to the difficulty in determining their fair value.

Investment income, which consists of interest and dividends including income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2020

Allocation of expenses

The costs of each department include the costs of personnel and other expenses that are directly related to the department. The Association also incurs general support expenses that are common to the administration of the Association and are allocated to each of its departments. These allocated expenses include salaries and benefits, travel, accreditation fees, insurance and other administration costs. These expenses are allocated to departments proportionately based on the direct expenses incurred by each department.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments held for liquidity purposes that are immediately cashable or have initial maturity dates of less than 91 days.

Capital assets

Purchased tangible and intangible capital assets are recorded at acquisition cost. Contributed tangible and intangible capital assets are recorded at fair value at the date of contribution.

Amortization is determined using the following methods over the estimated useful lives of the assets as follows:

Tangible

Computer equipment	3 years straight-line
Office equipment	10% declining balance and 5 years straight-line

Intangible

Website	3 years straight-line
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Employee benefit plans

The Association contributes to retirement savings plans based on the amount of employee contributions, subject to maximum limits per employee. The Association accounts for such defined contributions as an expense on an accrual basis.

Leases

Leases that transfer substantially all of the risks and benefits of ownership of assets to the Association are accounted for as capital leases. Assets under capital leases are recorded at inception of the lease together with the related long-term obligation to reflect the purchase and financing thereof. Rental payments under operating leases are expensed as incurred.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at amortized cost.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2020

3. Investments

	2020 \$	2019 \$
Cash	15,860	15,015
Guaranteed investment certificates	32,355	31,752
Fixed income		
Canada	717,388	733,260
Equities		
Canada	167,277	188,917
United States	42,275	35,607
Other international	142,285	101,802
	<u>351,837</u>	<u>326,326</u>
	<u>1,117,440</u>	<u>1,106,353</u>
	2020 \$	2019 \$
Investment income consists of the following:		
Interest	8,445	8,759
Dividends	41,080	37,705
Realized and unrealized gains	(19,600)	9,658
	<u>29,925</u>	<u>56,122</u>

4. Capital assets

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	37,255	33,693	3,562
Office equipment	—	—	—
	<u>37,255</u>	<u>33,693</u>	<u>3,562</u>
Intangible			
Website	12,300	12,300	—
	<u>49,555</u>	<u>45,993</u>	<u>3,562</u>

Special Olympics Alberta Association

Notes to financial statements

June 30, 2020

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Computer equipment	33,257	32,258	999
Office equipment	7,005	7,005	—
	40,262	39,263	999
Intangible			
Website	12,300	12,300	—
	52,562	51,563	999

Assets under capital lease with a cost of nil [2019 – \$7,005] and accumulated amortization of nil [2019 – \$7,005] are included in office equipment.

5. Deferred contributions

Deferred contributions represent unspent contributions externally restricted for various purposes and contributions received in the current year that are related to events of the subsequent year.

	2020	2019
	\$	\$
Casino	331,913	255,307
Harley Raffle	118,364	206,508
Medicine Hat Summer Games	62,853	62,853
Community Programs	94,359	83,083
Special Olympics Canada Inc.	84,413	—
Skate Canada	6,341	6,358
	698,243	614,109

6. Contingency fund

In 2008, the Association's Board of Directors internally restricted \$75,000 of net assets to be used as a contingency fund.

During the year ended June 30, 2014, the Association received an unrestricted contribution of \$600,000 from a personal estate, and during the year ended June 30, 2017, received an additional unrestricted contribution of \$347,904 from a personal estate. The Board of Directors has resolved to internally restrict these contributions, plus income earned on the investment of the funds, in the contingency fund.

Special Olympics Alberta Association

Notes to financial statements

June 30, 2020

7. Contributed services

The Association's office premises are provided by an unrelated party on a rent-free basis. The Association has attributed a fair value of nil [2019 – nil] to these services. The amount recorded in general revenue is offset by the cost, which is allocated to expense categories as outlined in schedule 1.

8. Related party transactions

During the year, the Association normally has transactions with the following related parties:

- Provincial affiliates
- Special Olympics Canada Inc., the national governing body

All related party transactions have been recorded at their agreed upon exchange amounts. Grants, revenue sharing and eligible program expenses are recorded as affiliate development expenses. Accreditation fees and insurance expenses are allocated to expense categories as outlined in schedule 2.

Transactions during the year were as follows:

Provincial affiliates

	2020	2019
	\$	\$
Expenses		
Sport programs and events expenses	30,928	45,103
Grants, revenue sharing and eligible program expenses	118,051	130,415
	148,979	175,518

Special Olympics Canada Inc.

	2020	2019
	\$	\$
Expenses		
Accreditation fees	13,400	13,676
Insurance	5,720	5,696
	19,120	19,372

Special Olympics Alberta Association

Notes to financial statements

June 30, 2020

Accounts receivable

The following amounts are owing from Special Olympics Canada Inc. and provincial affiliates related to program expenses the Association has incurred on their behalf:

	2020 \$	2019 \$
Special Olympics Canada Inc.	286,651	155,620
Special Olympics Edmonton	34,002	36,924
Special Olympics Calgary	17,044	41,482
Other affiliates	1,589	8,551
	<u>339,286</u>	<u>242,577</u>

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$72,787 [2019 – \$18,493] owing to provincial affiliates and \$5,720 [2019 – \$30,000] owing to Special Olympics Canada Inc. as at June 30, 2020.

9. Allocated costs

	2020 \$	2019 \$
Salaries and benefits	64,134	92,727
Administrative expenses	77,584	107,619
Telephone and technology	13,817	22,955
Accreditation fees	13,400	13,676
	<u>168,935</u>	<u>236,977</u>

10. Financial instruments and risk management

The Association is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Association is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Association monitors outstanding balances regularly and allows for uncollectible amounts when determined.

Interest rate risk

The Association is subject to interest rate risk with respect to its short-term and fixed income investments because the fair value will fluctuate due to changes in market interest rates.

Liquidity risk

Special Olympics Alberta Association

Notes to financial statements

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The Association is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities.

Other price risk

The Association is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in equity securities.

11. COVID-19 and subsequent events

The outbreak of the Coronavirus disease ["COVID-19"] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruptions to businesses and organizations globally, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Association in future periods. The Association has applied for the related Canadian Emergency Wage Subsidy in the amount of approximately \$103,000 related to salaries and wages expenses. This has been included in the Government of Canada funding revenue.