

Financial Statements of

SPECIAL OLYMPICS CANADA

And Independent Auditors' Report thereon

Year ended June 30, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of Special Olympics Canada

Opinion

We have audited the financial statements of Special Olympics Canada (the Entity), which comprise:

- the statement of financial position as at June 30, 2020
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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 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 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.

Auditors' 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 auditors' 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 the 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.



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- 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 auditors' 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 auditors' 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 12, 2020

SPECIAL OLYMPICS CANADA

Statement of Financial Position

June 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 5,511,303	\$ 2,521,312
Accounts receivable (notes 2, 3 and 7)	415,428	1,124,854
Prepaid expenses	147,397	184,779
	<u>6,074,128</u>	<u>3,830,945</u>
Capital assets (note 4)	301,109	428,398
	<u>\$ 6,375,237</u>	<u>\$ 4,259,343</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 236,245	\$ 214,691
Deferred contributions (note 5)	2,263,162	494,695
	<u>2,499,407</u>	<u>709,386</u>
Deferred lease inducements (note 6)	25,017	48,988
Net assets:		
Unrestricted	3,850,813	3,500,969
Commitments (note 11)		
Subsequent event (note 12)		
	<u>\$ 6,375,237</u>	<u>\$ 4,259,343</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

SPECIAL OLYMPICS CANADA

Statement of Operations and Changes in Net Assets

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Revenue		
Grants (note 7)	\$ 5,801,987	\$ 6,000,029
Sponsorships	1,042,909	1,056,997
In-kind donations (note 9)	1,348,442	1,818,704
Fundraising events	3,475,469	3,849,898
Foundation (note 2)	1,566,278	2,062,443
Other	278,953	84,441
	<u>13,514,038</u>	<u>14,872,512</u>
Expenses (notes 8, 9 and Schedule)		
Program and chapter support (note 3)	8,889,403	10,143,487
Public education	1,703,836	2,142,926
Fundraising	1,506,060	1,432,240
Administration	1,064,895	971,117
	<u>13,164,194</u>	<u>14,689,770</u>
Excess of revenue over expenses before the undernoted	349,844	182,742
50th Anniversary:		
Donations and sponsorship	—	1,075,753
In-kind donations (note 9)	—	3,562,583
Expenses	—	(787,906)
In-kind expenses	—	(3,562,583)
	<u>—</u>	<u>287,847</u>
Excess of revenue over expenses	349,844	470,589
Net assets, beginning of year	3,500,969	3,030,380
Net assets, end of year	\$ 3,850,813	\$ 3,500,969

See accompanying notes to financial statements.

SPECIAL OLYMPICS CANADA

Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 349,844	\$ 470,589
Proceeds on sale of investments	–	121,377
Items not involving cash:		
Amortization of capital assets	134,973	120,370
Amortization of deferred lease inducements	(23,971)	(23,971)
Change in non-cash operating working capital:		
Accounts receivable	709,426	943,487
Prepaid expenses	37,382	(120,570)
Accounts payable and accrued liabilities	21,554	(660,677)
Deferred contributions	1,768,467	(215,134)
	<u>2,997,675</u>	<u>635,471</u>
Investing activities:		
Purchase of capital assets	(7,684)	(129,575)
Increase in cash	2,989,991	505,896
Cash, beginning of year	2,521,312	2,015,416
Cash, end of year	<u>\$ 5,511,303</u>	<u>\$ 2,521,312</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements

Year ended June 30, 2020

Special Olympics Canada (the "Organization") is a national organization dedicated to enriching the lives of Canadians with an intellectual disability through active participation in sports. The Organization is incorporated under the Corporations Act (Ontario) as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The most significant accounting policies are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. 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.

All other revenue is recognized when delivery has occurred or services have been rendered and measurement and collection are reasonably assured.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded only if the fair value can be reasonably estimated on the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. The Organization amortizes the cost of the capital assets on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Software	3 years
Leasehold improvements	Over the lease term

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Allocation and attribution of expenses:

Salaries and benefits are allocated between program and chapter support, public education, fundraising and administration. The allocation is based on a percentage-of-effort analysis performed by management to estimate the amount of time spent on each activity. Additionally, shared expenses, including expenses relating to contributed materials and services, are allocated to the same categories based on reasonable estimates of usage for each area of activity. Shared costs include rent, phones, internet and office expenses.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

1. Significant accounting policies (continued):

(e) Contributed materials and services:

Contributed materials and services are recorded only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased. Contributed materials and services in the amount of \$1,348,442 (2019 - \$5,381,287) have been recorded as revenue and expenses.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include the estimated useful lives of capital assets, allocation of expenses and the fair value of contributed materials and services. Actual results could differ from those estimates.

2. Special Olympics Canada Foundation:

The Special Olympics Canada Foundation (the "Foundation") was founded in 1997 and was created to financially support the strategic objectives of the Organization. The Organization has an economic interest in the Foundation.

As at year end, the amount receivable from the Foundation is \$3,785 (2019 - \$5,751). The amount receivable from the Foundation is non-interest bearing, is unsecured and has no fixed terms of repayment. Included in foundation revenue is \$461,148 (2019 - \$848,703) received from the Foundation during the year. The Organization also charged the Foundation \$18,000 (2019 - \$18,000) for office and rent expenses. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed between the Organization and the Foundation.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

3. Transactions with other Special Olympics organizations:

(a) Special Olympics Inc. ("SOI"):

SOI accredits the Organization to ensure the worldwide quality, and ultimately the growth, of the Organization's movement. Accreditation is a method of assuring the Organization meets the essential core requirements of the Special Olympics mission and also certain minimum management and financial requirements. Upon compliance with the Accreditation Standards, SOI signs an Accreditation License with the Organization, which grants the Organization the legal right to use the Special Olympics name, logo and other trademarks, to conduct the Special Olympics sports and related activities, and to raise funds under the Special Olympics name. The Organization is then eligible to (i) receive sports, technical and program development training and support from SOI, including in the form of grants from SOI, (ii) participate in World and Regional Games, and (iii) participate in and benefit from other Special Olympics movement activities (such as Healthy Athletes®, Project UNIFY®, United Sports® and global public awareness events). The Organization rolls forward an annual accreditation fee based on total adjusted gross revenue from the Organization and all 12 provincial/territorial chapters.

The annual accreditation fee remitted by the Organization to SOI includes amounts collected and remitted on behalf of provincial and territorial chapters. In 2020, the Organization was not invoiced the annual accreditation fee; however, \$49,003 was accrued. In 2019, \$324,718 was paid to SOI for the Organization and all provincial/territorial chapters. Additionally, SOI and the Organization enter into funding agreements from time to time to fund program activities by one or the other organization.

During the year, the Organization provided \$573,642 of funding to SOI for youth programming (2019 - \$573,642). During the year, the Organization made transfer payments to provincial/territorial chapters on behalf of SOI of \$230,641 (2019 - \$353,949). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the Organization and SOI.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

3. Transactions with other Special Olympics organizations (continued):

(b) Due from provincial/territorial chapters:

The Organization provides annual accreditation to 12 provincial/territorial Special Olympics Chapters (the "Chapters") to ensure the national quality, and ultimately the growth, of Special Olympics in Canada. Accreditation is a method of assuring the Chapters meet the essential core requirements of the Organization's mission and also certain minimum management and financial requirements. Subject to compliance with the terms of the accreditation and upon payment of annual accreditation fees, the Organization grants the Chapters the legal right to use the Special Olympics name, logo and other trademarks, to conduct Special Olympics sports and related activities, and to raise funds under the Special Olympics name. The Chapters are then eligible to (i) to receive sports, technical and program development training and support from the Organization, including in the form of grants from the Organization, (ii) participate in National Games, and (iii) participate in and benefit from other Special Olympics movement activities (such as Healthy Athletes®, Project UNIFY®, United Sports® and national public awareness events).

At year end, the amount receivable from provincial/territorial chapters is \$103,732 (2019 - \$253,281). Amounts due from provincial/territorial chapters are non-interest bearing, are unsecured and have no fixed terms of repayment. The statement of operations includes \$6,140,123 (2019 - \$10,107,898) paid in chapter support. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the Organization and the Chapters.

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 181,465	\$ 154,795	\$ 26,670	\$ 30,277
Computer equipment	146,077	144,456	1,621	–
Software	319,712	230,658	89,054	195,624
Leasehold improvements	409,530	225,766	183,764	202,497
	\$ 1,056,784	\$ 755,675	\$ 301,109	\$ 428,398

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

5. Deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted grants and donations for specific programs. Changes in the deferred contributions balance during the year are as follows:

	2020	2019
Balance, beginning of year	\$ 494,695	\$ 709,829
Amounts received relating to future years	5,895,164	8,177,711
Amounts recognized as revenue	(4,126,697)	(8,392,845)
Balance, end of year	\$ 2,263,162	\$ 494,695

6. Deferred lease inducements:

A lease inducement received in the form of a rent-free period and an allowance for leasehold improvement costs has been deferred and is being amortized on a straight-line basis over the term of the lease.

	2020	2019
Balance, beginning of year	\$ 48,988	\$ 72,959
Amortization	(23,971)	(23,971)
Balance, end of year	\$ 25,017	\$ 48,988

7. Grants:

(a) Minister of Science and Sport ("Science and Sport"):

In fiscal 2019, the Organization entered into a contribution agreement with Science and Sport for Above Core budget announcement funding to receive a maximum of \$14,000,000 for the period from April 1, 2018 to March 31, 2022. During the year, the Organization recognized \$3,109,103 (2019 - \$3,433,312) as revenue. As at June 30, 2020, included in accounts receivable is \$14,807 (2019 - \$320,704) receivable from Science and Sport.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

7. Grants (continued):

(b) Minister of Sport and Persons with Disabilities ("Sport Canada"):

In fiscal 2017, the Organization signed a contribution agreement with Sport Canada to receive a maximum of \$2,875,760 for the period from April 1, 2017 to March 31, 2018 for the purpose of funding core program activities and supporting athletes with intellectual disabilities. In fiscal 2018, this agreement was amended to provide the Organization with funding of \$3,175,760 for the period from April 1, 2017 to March 31, 2018 and \$2,875,760 for each of the periods from April 1, 2018 to March 31, 2019 and April 1, 2019 to March 31, 2020.

In fiscal 2020, the Organization signed a new contribution agreement with the Minister of Canadian Heritage ("Sport Canada") for the period from April 1, 2020 to June 30, 2021 in the amount of \$3,333,124. As at June 30, 2020, included in deferred revenue is \$1,123,705 (2019 - nil) from Sport Canada. During the fiscal year, the Organization recognized \$2,689,884 (2019 - \$2,563,716) as revenue. As at June 30, 2020, included in accounts receivable is nil (2019 - \$270,975) receivable from Sport Canada.

(c) Other:

The remaining grants of \$3,000 (2019 - \$3,001) were for other projects and received from other sources.

8. Allocated expenses:

Salaries and benefits for the year totalled \$2,875,576 (2019 - \$2,678,716) and have been allocated as follows:

	2020	2019
Program and chapter support	\$ 1,039,295	\$ 1,014,658
Public education	684,242	651,581
Fundraising	564,519	387,058
50th Anniversary	—	70,668
Administration	587,520	554,751
	<u>\$ 2,875,576</u>	<u>\$ 2,678,716</u>

Included in program and chapter support are salaries and benefits of \$248,934 (2019 - \$208,814) for the Above Core 2014 budget announcement.

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

8. Allocated expenses (continued):

Shared expenses for the year totaled \$798,325 (2019 - \$707,997) and have been allocated as follows:

	2020	2019
Program and chapter support	\$ 218,849	\$ 178,754
Public education	88,175	69,651
Fundraising	92,222	116,207
50th anniversary	—	260
Administration	399,079	343,125
	<u>\$ 798,325</u>	<u>\$ 707,997</u>

9. In-kind donations:

During the year, the Organization received in-kind donations from various entities for funding core program activities, promoting events and the operation of the Organization. In fiscal 2019, the Organization received increased sponsorships to support the 50th anniversary. The full amount of the donation has been recognized in in-kind donations revenue and the following expense categories:

	2020	2019
Program and chapter support	\$ 528,282	\$ 967,158
Public education	783,616	755,967
Fundraising	890	94,668
50th anniversary	—	3,562,583
Administration	35,654	911
	<u>\$ 1,348,442</u>	<u>\$ 5,381,287</u>

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

10. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that the counterparty may default on its contractual obligations, resulting in a financial loss. The Organization is exposed to credit risk with respect to cash and accounts receivable. Cash consists of deposits with a major Canadian chartered bank.

The Organization assesses, on a continuous basis, the accounts receivable and provides for any amount that is not collectible in the allowance for doubtful accounts. There has been no change to risk exposures from 2019.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. There has been no change to this risk exposure from 2019.

11. Commitments:

The Organization is committed under operating leases for rental of equipment and office premises, which include an estimate of the proportionate share of property taxes and operating expenses. The minimum annual payments are as follows:

2021	\$	295,597
2022		307,917
2023		311,582
2024		313,927
2025		325,650
Thereafter		1,291,523
		<hr/>
	\$	2,846,196

SPECIAL OLYMPICS CANADA

Notes to Financial Statements (continued)

Year ended June 30, 2020

12. Subsequent event:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in governments worldwide, including the Canadian and provincial governments, 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 disruption in Canada to our fundraising efforts. In addition, the Organization has also experienced:

- Ongoing temporary closure of the head office and mandatory working from home requirements for all employees
- Delays in program delivery and related costs
- Reorganization and reduction of fundraising events and activities and significant loss of revenue as a result

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts likely will include potential future decreases in donations and income and possible alteration of operations and programs.

SPECIAL OLYMPICS CANADA

Schedule of Expenses

Year ended June 30, 2020, with comparative information for 2019

						2020	2019
	Program and chapter support	Above Core 2014 budget announcement	Public education	Fundraising	Administration	Total	Total
Chapter support	\$ 3,265,920	\$ 2,303,992	\$ 570,211	\$ -	\$ -	\$ 6,140,123	\$ 8,960,384
Program support	1,138,499	143,225	-	-	-	1,281,724	2,966,756
Salaries and benefits	790,361	248,934	684,242	564,519	587,520	2,875,576	2,678,716
Marketing campaign	-	214,937	287,558	45,958	-	548,453	2,058,071
National games	419,888	-	-	-	-	419,888	265,884
Fundraising	-	-	-	742,933	-	742,933	722,427
Office	66,084	-	26,816	27,652	173,070	293,622	283,506
Television broadcast	-	81,049	13,330	-	-	94,379	265,884
Rent	152,596	-	61,359	64,570	10,288	288,813	239,983
Sponsorship	-	-	60,320	60,320	-	120,640	232,087
Meetings and training	28,831	-	-	108	29,293	58,232	95,319
Professional fees	-	-	-	-	33,171	33,171	37,270
Amortization	-	-	-	-	134,973	134,973	120,370
Accreditation fees	-	-	-	-	49,003	49,003	44,548
Official language	8,862	26,056	-	-	-	34,918	42,186
Travel and accommodation	169	-	-	-	47,577	47,746	26,868
	\$ 5,871,210	\$ 3,018,193	\$ 1,703,836	\$ 1,506,060	\$ 1,064,895	\$ 13,164,194	\$ 19,040,259