

Financial statements of

**Special Olympics British
Columbia Society**

June 30, 2012

Special Olympics British Columbia Society

June 30, 2012

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Independent Auditor's Report

To the Members of Special Olympics British Columbia Society

We have audited the accompanying financial statements of Special Olympics British Columbia Society (the "Society"), which comprise the statement of financial position as at June 30, 2012, and the statements of operating fund and restricted fund revenue, expenses and changes in fund balances and cash flows for the year then ended, and the notes to the financial statements.

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.

Auditor's 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 expressing an 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, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations and merchandise sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Special Olympics British Columbia Society as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
September 20, 2012

Special Olympics British Columbia Society

Statement of operating fund revenue, expenses and changes in fund balance year ended June 30, 2012

	2012	2011
	\$	\$
Operating Fund		
Revenue		
Event revenues	930,087	1,065,404
Gaming	291,624	165,545
Grants, donations and sponsorships	1,332,082	1,402,607
Merchandise and service sales	9,741	19,135
Interest and other	32,886	17,600
	2,596,420	2,670,291
Expenses		
Operations		
Personnel	813,304	698,669
Direct operating costs	970,015	1,086,315
	1,783,319	1,784,984
General and administrative		
Personnel	180,719	162,014
Other general and administrative	213,984	231,257
Amortization	23,913	19,005
	418,616	412,276
	2,201,935	2,197,260
Excess of revenue over expenses before the undernoted	394,485	473,031
Gain on sale of equipment	3,000	-
Unrealized (loss) gain on investments	(10,272)	38,669
Excess of revenue over expenses	387,213	511,700
Fund balance, beginning of year	1,070,131	747,866
Transfer to the operating fund from the SOBC Foundation (Note 7)	10,861	10,565
Transfer from the operating fund to the Provincial and National Games Fund (Note 9)	(100,000)	(200,000)
Fund balance, end of year	1,368,205	1,070,131

Special Olympics British Columbia Society

Statement of restricted fund revenue, expenses and changes in fund balances
year ended June 30, 2012

	2012	2011
	\$	\$
Howard G. Carter Fund (Note 5)		
Revenue		
Interest	12,427	11,559
Excess of revenue over expenses before the undernoted	12,427	11,559
Unrealized (loss) gain on investments	(12,727)	47,915
(Deficiency) excess of revenue over expenses	(300)	59,474
Fund balance, beginning of year	472,798	413,324
Fund balance, end of year	472,498	472,798
Marge McNary Memorial Fund (Note 6)		
Revenue		
Interest	965	1,044
Excess of revenue over expenses before the undernoted	965	1,044
Unrealized (loss) gain on investments	(989)	3,706
(Deficiency) excess of revenue over expenses	(24)	4,750
Fund balance, beginning of year	36,718	31,968
Fund balance, end of year	36,694	36,718
Special Olympics British Columbia Foundation (Note 7)		
Revenue		
Interest	10,861	10,565
Excess of revenue over expenses before the undernoted	10,861	10,565
Unrealized (loss) gain on investments	(9,115)	24,844
Excess of revenue over expenses	1,746	35,409
Fund balance, beginning of year	290,295	265,451
Transfer of interest to operating fund	(10,861)	(10,565)
Fund balance, end of year	281,180	290,295
Gordon Walker Memorial Fund (Note 8)		
Unrealized gain on investments	604	-
Excess of revenue over expenses	604	-
Fund balance, beginning of year	-	-
Capital contribution	60,000	-
Fund balance, end of year	60,604	-
Provincial and National Games Fund (Note 9)		
Fund balance, beginning of year	300,000	100,000
Transfer from operating fund	100,000	200,000
Fund balance, end of year	400,000	300,000

Special Olympics British Columbia Society

Statement of financial position


as at June 30, 2012

	2012	2011
	\$	\$
Assets		
Current assets		
Cash and cash equivalents - Operating fund (Note 4)	2,086,897	1,265,596
Accounts receivable	64,339	314,420
Inventory	4,178	4,670
Prepaid expenses	300	1,450
Deposit	5,114	-
	2,160,828	1,586,136
Investments of Howard G. Carter Fund (Note 5)	472,498	472,798
Investments of Marge McNary Memorial Fund (Note 6)	36,694	36,718
Investments of Special Olympics British Columbia Foundation (Note 7)	281,180	290,295
Investments of Gordon Walker Memorial Fund (Note 8)	60,604	-
Restricted cash (Note 9)	400,000	300,000
Other long-term investments (Note 10)	381,320	381,562
Equipment (Note 11)	47,605	55,350
Deposit	-	5,114
	3,840,729	3,127,973
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	178,947	129,080
Deferred revenue (Note 12)	1,042,601	828,951
	1,221,548	958,031
Net assets		
Operating fund (Note 13)	1,368,205	1,070,131
Howard G. Carter Fund (Note 5)	472,498	472,798
Marge McNary Memorial Fund (Note 6)	36,694	36,718
Special Olympics British Columbia Foundation (Note 7)	281,180	290,295
Gordon Walker Memorial Fund (Note 8)	60,604	-
Provincial and National Games (Note 9)	400,000	300,000
	2,619,181	2,169,942
	3,840,729	3,127,973


Contingency (Note 14)

Commitment (Note 15)

Approved by the Board



Director



Director

Special Olympics British Columbia Society

Statement of cash flows year ended June 30, 2012

	2012	2011
	\$	\$
Operating activities		
Operating fund - excess of revenue over expenses for the year	387,213	511,700
Howard G. Carter Fund - (deficiency) excess of revenue over expenses for the year	(300)	59,474
Marge McNary Memorial Fund - (deficiency) excess of revenue over expenses for the year	(24)	4,750
Special Olympics British Columbia Foundation - excess of revenue over expenses for the year	1,746	35,409
Gordon Walker Memorial Fund excess of revenue over expenses for the year	604	-
Add back non-cash items		
Donations	-	(22,153)
Amortization	23,913	19,005
Unrealized loss (gain) on investments	32,499	(115,134)
	445,651	493,051
Changes in non-cash working capital items		
Accounts receivable	250,081	(65,106)
Inventory	492	(708)
Prepaid expenses	1,150	173,087
Accounts payable and accrued liabilities	49,867	(232,132)
Deferred revenue	213,650	594,492
	960,891	962,684
Investing activities		
Purchase of equipment	(16,168)	-
Purchase of investments, Howard G. Carter Fund	(12,427)	(11,559)
Purchase of investments, Marge McNary Memorial Fund	(965)	(1,044)
Purchase of other long-term investments	(10,030)	(9,329)
Increase in restricted cash	(100,000)	(300,000)
	(139,590)	(321,932)
Net increase in cash and cash equivalents	821,301	640,752
Cash, beginning of year	1,265,596	624,844
Cash and cash equivalents, end of year	2,086,897	1,265,596
Cash consists of the following:		
Cash - Operating fund	386,897	215,596
Cash equivalents - Operating fund	1,700,000	1,050,000
	2,086,897	1,265,596
Non-cash transactions		
Addition of equipment through donation	-	22,153

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2012

1. Purpose of the organization

Special Olympics British Columbia Society (the "Society") is a provincial organization operating programs for the benefit of athletes with an intellectual disability. It is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Canadian Income Tax Act.

2. New accounting framework

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after December 21, 2011, not-for-profit organizations will have to choose between International Financial Reporting Standards and generally accepted accounting principles for not-for-profit organizations, with Accounting Standards for Private Enterprises as the underlying framework. The Society plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on July 1, 2012, and is evaluating the impact of adoption.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

(a) *Consolidation*

The Society controls a number of local branches of Special Olympics located in various regions of British Columbia. The Society has elected to exclude these branches from consolidation because they are not individually material to the Society and the expense of preparing consolidated financial statements would exceed any benefits from doing so. Any investment in these branches is recorded on the cost basis.

Summarized unaudited financial statement information of these branches is as follows:

	2012	2011
	\$	\$
Total assets	1,639,270	1,549,722
Total surplus	1,639,270	1,549,722
Revenue	1,498,100	1,555,744
Expenses	1,469,156	1,308,694
Cash flows from operations	28,944	247,050

The Society has consolidated the accounts of the Special Olympics British Columbia Foundation which is described in Note 7.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2012

3. Significant accounting policies (continued)

(b) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired, their characteristics and the Society's designation of such instruments. Settlement date accounting is used.

(i) Held-for-trading

Cash, cash equivalents, investments and restricted cash have been designated as held-for-trading and are measured at fair value with unrealized gains and losses included in the statement of fund revenue and expenses. Investments that do not have quoted market prices in active markets are recorded at cost.

(ii) Loans and receivables

Accounts receivable and deposit have been designated as loans and receivables and are accounted for at amortized cost using the effective interest method.

(iii) Other liabilities

Accounts payable and deferred revenue are classified as liabilities and measured at amortized cost using the effective interest method.

The Society elected to use the exemption provided by the CICA permitting not-for-profit organizations to not apply the following sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments - Presentation*, and 3865, *Hedges*, which would otherwise have applied to the financial statements of the Society for the year ended June 30, 2012. The Society applies the requirements of Section 3861 and Accounting Guideline 13 of the CICA Handbook.

(c) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand in prime-linked cashable guaranteed investment certificates with terms to maturity of three months or less from their date of acquisition.

(d) *Inventory*

Inventory is recorded at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale.

(e) *Equipment*

Equipment is recorded at cost, which is equivalent to the fair value of donated equipment, and is amortized on a straight-line basis over their estimated useful lives as follows:

Vehicles	5 years
Photocopier	5 years
Computer and other equipment	3 years

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2012

3. Significant accounting policies (continued)

(e) *Equipment*

The Society reviews for the impairment of property and equipment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Society or no longer contributes to the Society's ability to provide services. The amount of the impairment, if any, is determined as the excess of the carrying value of the asset over its estimated residual value. No impairment losses have been identified by the Society for the year ended June 30, 2012.

(f) *Revenue and expense recognition*

The Society follows the deferral method of accounting for contributions. Contributions restricted for specific expenditures 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 can be reasonably estimated and collection is reasonably assured.

Donations are recorded on a cash basis.

Other revenue is recorded on an accrual basis with amounts recognized during the respective periods in which the underlying activities occurred.

Direct costs related to certain fundraising activities which the Society does not directly control are recorded net of the related revenue.

Expenditures are recorded on an accrual basis. A portion of salaries and wages of certain administrative personnel are allocated to operations expenses based on the time spent by those individuals on games and other operations related to events of the Society. Additional disclosures are included in Note 17.

(g) *Donated equipment, materials and services*

Donated equipment and materials are recorded at fair value where fair value can be reasonably estimated. Donated services are not recorded as their fair value cannot be reasonably estimated.

(h) *Measurement uncertainty*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, accounting for doubtful accounts, amortization, accrued liabilities and contingencies. Actual results may differ from those estimates.

4. Externally restricted funds

As at June 30, 2012, \$239,558 (2011 - \$22,379) is included in cash which relates to proceeds received from gaming activities. The use of funds realized from gaming activities is restricted under the Provincial Gaming Control Act to certain eligible charitable activities and specified overhead expenditures.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2012

5. **Howard G. Carter Fund**

This fund was established in 1988 as a memorial endowment fund in recognition of Howard G. Carter's years of work and dedication to the Society. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society.

The assets in the fund consist of long-term investments in bonds and equities and are administered by Connor, Clark & Lunn Financial Group under the direction of the Society's Board of Directors. These long-term investments have a market value of \$472,498 at June 30, 2012 (2011 - \$472,798).

In addition, during 1990 the Society established a permanent endowment fund under the auspices of the Vancouver Foundation, the interest of which is for the account of the Howard G. Carter Fund. The Society paid the Vancouver Foundation a non-refundable deposit of \$10,000 and cumulative contributions to date of \$75,000. The Vancouver Foundation has matched the contributions and the Society receives quarterly interest payments based on a principal balance of \$160,000. This principal balance is not shown in these financial statements.

6. **Marge McNary Memorial Fund**

During the year ended June 30, 2003, the Society received a capital contribution which was designated as a memorial endowment fund. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The restricted fund was formally established as the Marge McNary Memorial Fund on July 17, 2003 and the assets of the Fund were then invested in long-term investments in bonds and equities and are administered by Connor, Clark & Lunn Financial Group under the direction of the Society's Board of Directors. At June 30, 2012, the investments had a market value of \$36,694 (2011 - \$36,718).

7. **Special Olympics British Columbia Foundation**

During the year ended June 30, 2005, the Society received a capital contribution which was designated as a memorial endowment fund (the "SOBC Foundation"). The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The fund will be held and invested by the Vancouver Foundation. Income generated from the SOBC Foundation will be disbursed to the Society as long as the Society is a registered charity. The Society has the right to retract the amount contributed to the SOBC Foundation subject to certain restrictions, after at least three years from the date that the aggregate amount contributed to the fund exceeds \$100,000. If the Society ceases to exist, the Vancouver Foundation will disburse the funds to Special Olympics Canada. The restricted fund was formally established as the Special Olympics British Columbia Foundation on June 27, 2005 and had a market value of \$281,180 as at June 30, 2012 (2011 - \$290,295).

8. **Gordon Walker Memorial Fund**

During the year ended June 30, 2012, the Society received a capital contribution from the estate of a former Special Olympics athlete, Gordon Walker. The primary investment objective of this fund is to provide long-term continuance of the purpose of the Society. The restrictions on the fund had not yet been determined as of year end. The Assets of the Fund were invested in long-term investments in bonds and equities and are administered by Connor, Clark & Lunn Financial Group under the direction for the Society's Board of Directors. As at June 30, 2012, the investments had a market value of \$60,604.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2012

9. Provincial and National Games Fund

This internally restricted fund was established on June 21, 2010 for preparation for the 2011 Provincial Winter Championships, the 2013 Provincial Summer Games and the 2014 National Summer Games. During the year, the Society transferred \$100,000 (2011 - \$200,000) from the operating account into this fund by resolution of the Board of Directors and no expenses were allocated against the fund (2011 - \$Nil). Cash in the fund is internally restricted to fund expenditures relating to these events. Interest revenue does not accrue on this fund.

10. Other long-term investments

Other long-term investments consist of bonds and equities that are administered by Connor, Clark & Lunn Financial Group under the direction of the Society's Board of Directors. At June 30, 2012, the market value of these investments was \$381,320 (2011 - \$381,562).

11. Equipment

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Vehicle	95,930	62,815	33,115	52,300
Photocopier	10,165	9,149	1,016	3,050
Computer and other equipment	29,053	15,579	13,474	-
	135,148	87,543	47,605	55,350

12. Deferred revenue

Deferred revenue includes registration fees, fundraising receipts and grants that have been received in advance. The amounts will be recognized as revenue in the subsequent years when the related expenditures have been incurred.

	2012	2011
	\$	\$
Beginning balance	828,951	234,459
Add: Amount received related to subsequent years	342,601	828,951
Less: Amount recognized as revenue in the year	(128,951)	(234,459)
Ending balance	1,042,601	828,951

13. Fund balances

Should the Society be wound up, the Directors have resolved to donate the operating and restricted fund balances to one or more recognized charitable organizations having the same or similar purposes as the Society. There are no plans to wind up the Society.

Special Olympics British Columbia Society

Notes to the financial statements

June 30, 2012

14. Contingency

In the event that any local branch of the Special Olympics British Columbia Society incurs liabilities in excess of available assets, the Society is obligated to repay any resulting indebtedness.

At June 30, 2012, management estimates that there is no existing liability under this contingent obligation.

15. Commitment

The Society has entered into a lease for its office premises which expires on March 31, 2013. The future minimum lease payment in the next year is as follows:

	\$
2013	44,408

16. Financial instruments

(a) Fair value

The Society's financial instruments consist of cash, cash equivalents, accounts receivable, investments, restricted cash, other long-term investments and accounts payable.

The fair value of these financial instruments approximates carrying value due to the short-term maturity of these instruments except for investments and other long-term investments, which are carried at fair market value as described in Notes 5, 6, 7, 8 and 9.

(b) Credit risk

The Society's principal financial assets are cash, cash equivalents, investments, restricted cash, accounts receivable and other long-term investments, which are subject to credit risk. The carrying amount of the financial assets on the balance sheet represents the Society's maximum credit exposure at the balance sheet date.

17. Allocation of expenses

A portion of salaries and wages relating to certain administrative personnel have been allocated to operations expense based on the proportion of time spent by those individuals on games and other events of the Society as follows:

	2012	2011
	\$	\$
Personnel	83,090	77,228

18. Capital disclosures

The Society adopted the recommendations of the CICA Handbook Section 1535, *Capital Disclosures*. This section requires the disclosure of information about externally imposed capital requirements. The Society has no externally imposed capital requirements. The Society manages its capital primarily through its investments and adheres to the guidelines of the Society's investment policies. There have been no changes to these guidelines during the year.