

SPECIAL OLYMPICS YUKON SOCIETY

FINANCIAL STATEMENTS

Draft - September 23, 2016

June 30, 2016

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MANAGEMENT RESPONSIBILITY STATEMENT

The management of Special Olympics Yukon Society is responsible for preparing the financial statements, the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with Canadian generally accepted accounting principles. The financial statements are considered by management to present fairly the management's financial position and results of operations.

The organization, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by M. McKay & Associates Ltd., Certified General Accountants, the shareholders' auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

Executive Director

Date to be determined

INDEPENDENT AUDITOR'S REPORT

Draft - September 23, 2016

To the Board of Directors of Special Olympics Yukon Society

We have audited the accompanying financial statements of Special Olympics Yukon Society, which comprise the statement of financial position as at June 30, 2016, and the statements of operations and changes in net assets, 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.

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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Special Olympics Yukon Society derives a material amount of revenue from donations and fundraising activities common with many charitable organizations. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for donation and fundraising revenue because our examination was limited to the amounts recorded in the Society's records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2016 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.

M. McKay & Associates Ltd.
Certified General Accountants

Whitehorse, Yukon
Date to be determined

SPECIAL OLYMPICS YUKON SOCIETY
STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS
For the year ended June 30, 2016
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	<u>2016</u>	<u>2015</u>
REVENUES		
Grants - Special Olympics Canada	\$ 141,532	\$ 116,864
Fundraising - Events	125,737	130,185
Grants - Government of Yukon	53,205	67,155
Sponsorship	45,510	26,833
Donations	15,033	1,200
Grants - Special Olympics Athletes	4,712	5,852
Miscellaneous income	2,875	929
Fundraising - Bingo	1,774	8,881
Grants - City of Whitehorse	750	3,400
	<u>391,128</u>	<u>361,299</u>
COST OF SALES		
Program Costs	<u>95,809</u>	<u>62,325</u>
GROSS PROFIT	<u>295,319</u>	<u>298,974</u>
EXPENSES		
Wages and benefits	194,710	173,006
Fundraising Costs	54,069	51,312
Travel	18,407	11,717
Rent	10,553	10,553
Professional fees	6,560	6,273
Supplies	3,838	2,963
Office	3,803	6,298
Janitorial	2,462	2,099
Utilities	1,869	2,009
Insurance	1,329	163
Bookkeeping	1,228	1,500
Amortization	849	1,061
Telephone and utilities	349	8,521
Bad debts	2,666	150
	<u>302,692</u>	<u>277,625</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>(7,373)</u>	<u>21,349</u>
Balance		
As previously stated	95,271	98,377
Prior period adjustment (note 8)	-	(24,455)
Balance, as restated	<u>95,271</u>	<u>73,922</u>
Balance, end of year	<u>\$ 87,898</u>	<u>\$ 95,271</u>

SPECIAL OLYMPICS YUKON SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 2016
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	<u>2016</u>	Restated <u>2015</u>
Balance, as previously stated	\$ 95,271	\$ 98,377
Prior period adjustment (note 8)	<u>-</u>	<u>(24,455)</u>
Balance, beginning of year, as restated	95,271	73,922
(Deficiency) excess of revenues over expenses	<u>(7,373)</u>	<u>21,349</u>
Balance, end of year	<u>\$ 87,898</u>	<u>\$ 95,271</u>

SPECIAL OLYMPICS YUKON SOCIETY
STATEMENT OF FINANCIAL POSITION
June 30, 2016
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	ASSETS	
	2016	Restated 2015
CURRENT		
Cash	\$ 44,566	\$ 31,210
Term deposits (note 5)	29,202	11,064
Accounts receivable	40,093	72,311
GST Receivable	6,754	7,531
Prepaid expenses	3,704	669
	124,319	122,785
PROPERTY, PLANT AND EQUIPMENT (note 6)	6,147	4,246
	\$ 130,466	\$ 127,031

	LIABILITIES	
CURRENT		
Accounts payable and accrued liabilities	\$ 18,631	\$ 20,983
Employee Payroll Deductions Payable	5,756	5,868
Salaries payable	993	4,159
Deferred revenue (note 7)	17,188	750
	42,568	31,760

	NET ASSETS	
Net Assets	87,898	95,271
	\$ 130,466	\$ 127,031

Contingent liabilities (note 4)

Approved on behalf of the Board:

_____ Member

_____ Member

SPECIAL OLYMPICS YUKON SOCIETY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
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	<u>2016</u>	<u>Restated 2015</u>
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	\$ (7,373)	\$ 21,349
Adjustment for		
Amortization	<u>849</u>	<u>1,061</u>
Total adjustments	(6,524)	22,410
Change in non-cash working capital items		
Accounts receivable	32,218	(11,454)
GST Receivable	777	(3,289)
Prepaid expenses	(3,035)	(669)
Accounts payable and accrued liabilities	(2,352)	5,615
Employee Payroll Deductions Payable	(112)	1,748
Salaries payable	(3,166)	1,216
Deferred revenue	<u>16,438</u>	<u>750</u>
Cash flow from operating activities	34,244	16,327
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(2,750)</u>	<u>-</u>
NET INCREASE IN CASH	31,494	16,327
CASH, beginning of year	<u>42,274</u>	<u>25,947</u>
CASH, end of year	<u>\$ 73,768</u>	<u>\$ 42,274</u>
CASH CONSISTS OF:		
Cash	\$ 44,566	\$ 31,210
Term deposits	<u>29,202</u>	<u>11,064</u>
	<u>\$ 73,768</u>	<u>\$ 42,274</u>

SPECIAL OLYMPICS YUKON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
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1. Nature of operations

Special Olympics Yukon Society (the society) was incorporated under the Societies Act of the Yukon Territories on June 9, 1981 and is a registered Canadian charity and, as such, the society is not subject to federal or provincial income tax. The society operates programs for the benefit of athletes with intellectual disabilities.

2. Significant accounting policies

The society applies the Canadian accounting standards for not-for-profit enterprises.

(a) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(b) Cash equivalents

Cash equivalents consist principally of money market funds and other highly liquid interest-bearing instruments with original maturities of three months or less.

(c) Deferred grants

Capital grants are accounted for as deferred grants and amortized on the same basis as the related machinery and equipment.

Operating grants are accounted for in reduction of operating expenses.

(d) Prior year's figures

Prior year's figures have been restated, where applicable, to conform to current year's presentation.

(e) Contributed materials and services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased. The society also receives

(f) Basis of accounting

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit enterprises.

(g) Revenue recognition

SPECIAL OLYMPICS YUKON SOCIETY
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2. Significant accounting policies, continued

(g) Revenue recognition, continued

The society follows the deferral method of accounting for contributions. 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 when the amount to be received can be reasonably estimated and collection is reasonably assured.

(h) Cash and cash equivalents

Cash consists of balances held in financial institutions

i. Restricted Cash

Any cash that is legally restricted from use is recorded in restricted cash. Cash is considered restricted when they are subject to contingent right from third parties. If the restriction on cash relates to acquiring a long-term asset, liquidating a long-term liability or is unavailable for a period longer than one year from the balance sheet date, restricted cash is classified as a long-term asset. Otherwise, restricted cash is classified as a current asset.

The society maintains a restricted cash balance in a GIC as collateral for society-use credit cards.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Liquidity risk

Liquidity risk is the risk that the Society cannot repay its obligations when they become due to its creditors. The Society reduced its exposure to liquidity risk by controlling expenses within available revenues and maintaining sufficient cash reserves. In the opinion of management, the liquidity risk exposure to the Society is low and not material.

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3. Financial instruments, continued

(b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The major class of financial assets of the Society are bank deposits, accounts receivable, funding and contribution receivables and short-term GICs. To mitigate this risk, bank deposits are maintained with reputable financial institutions and the GICs are maintained to meet financial obligations.

The Society's risk on its receivables is low as the majority of them are with parent organization, Special Olympics Canada, and the government.

(c) Liquidity risk

Liquidity risk is the risk that the society cannot repay its obligations when they become due to its creditors. The society reduces its exposure to liquidity risk by controlling expense within available revenues and maintaining sufficient cash reserves. In the opinion of management the liquidity risk exposure to the society low and is not material.

(d) Interest rate risk

The society is exposed to interest rate risk from holding interest-bearing GICS. In the opinion of management the interest rate risk exposure to the society low and is not material.

4. Contingent liabilities

The society has entered into multiple funding agreements where any unspent funds constitute debts owed to the various funders.

5. Term deposits

	<u>2016</u>	Restated <u>2015</u>
RBC	\$ 18,000	\$ -
BMO	<u>11,202</u>	<u>11,064</u>
	<u>\$ 29,202</u>	<u>\$ 11,064</u>

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6. Property and equipment

Property, plant and equipment are recorded at cost. The society provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rate and is as follows:

Office furniture & equipment 20% Declining balance

Amortization of leasehold improvements was recorded over the remaining term of the lease plus the first renewal option and has been amortized in full.

The total depreciation expense for June 30, 2016 was \$849 (2015 - 1,061)

	2016			Restated 2015
Cost	Accumulated amortization	Net	Net	
Office furniture & equipment	\$ 10,479	\$ 7,082	\$ 3,397	\$ 4,246
Furniture and fixtures	2,750	-	2,750	-
Leasehold improvements	15,143	15,143	-	-
	\$ 28,372	\$ 22,225	\$ 6,147	\$ 4,246

7. Deferred revenue

	2016	Restated 2015
City of Whitehorse	\$ 2,250	\$ 750
Special Olympics Canada	6,438	-
Hill Day Sport Program Coordinator	1,750	-
Youth Development	1,750	-
Volunteer Development	5,000	-
Total	\$ 17,188	\$ 750

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8. Prior period adjustment

The prior period adjustment to Net Assets and accounts receivable is to adjust the accrual of the core funding from the Government of Yukon for \$24,455 in the prior year. This accrual has been corrected and recorded in the year ended June 30, 2016. The statement of operations was not restated as the amount of adjustment would have been immaterial in nature. This adjustment is a cumulative error over several years, where the initial year of error cannot be determined.

June 30, 2015	<u>Previously reported</u>	<u>Adjustments</u>	<u>Restated</u>
Statement of Operations and Changes in Net Assets			
Net Assets	\$ 98,377	\$ (24,455)	\$ 73,922
Statement of Financial Position			
Accounts receivable	\$ 96,766	\$ (24,455)	\$ 72,311
Statement of Cash Flows			
Accounts receivable	\$ (11,454)	\$ (24,455)	\$ (35,909)

9. Economic dependence

The society receives the majority of its revenue through a funding agreements from Special Olympics Canada and the Government of Yukon. The society's continued operations are dependent on these funding agreements and on satisfying the terms of the agreements.

10. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.