

**SPECIAL OLYMPICS ILLINOIS
NORMAL, ILLINOIS**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

**For the Years Ended
December 31, 2014 and 2013**



**SPECIAL OLYMPICS ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Special Olympics Illinois
Normal, Illinois

We have audited the accompanying financial statements of Special Olympics Illinois (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Illinois as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sitih up

Springfield, Illinois
March 31, 2015

FINANCIAL STATEMENTS

SPECIAL OLYMPICS ILLINOIS

Statements of Financial Position

For the Years Ending December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 463,249	\$ 1,056,260
Receivables	501,020	391,581
Prepaid expenses	109,780	116,826
Other assets	56,187	50,887
Inventory	49,523	20,753
Investments	2,440,197	2,355,977
Property and equipment, net	2,519,042	2,284,381
Total assets	<u>\$ 6,138,998</u>	<u>\$ 6,276,665</u>
Liabilities		
Accounts payable	\$ 74,512	\$ 53,419
Accrued expenses	9,085	12,559
Deferred revenue	142,290	251,311
Funds held for others	20,230	-
Note payable	-	248,934
Line of credit	521,298	-
Total liabilities	<u>767,415</u>	<u>566,223</u>
Net Assets		
Unrestricted	5,367,011	5,669,332
Temporarily restricted	4,572	41,110
Total net assets	<u>5,371,583</u>	<u>5,710,442</u>
Total Liabilities and Net Assets	<u>\$ 6,138,998</u>	<u>\$ 6,276,665</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gain (Loss) and Support:			
Direct marketing contributions	\$ 1,246,275	\$ -	\$ 1,246,275
Other contributions	7,738,131	-	7,738,131
In-kind support	1,198,592	-	1,198,592
Grants	213,077	-	213,077
Interest income	17,825	-	17,825
Investment Income	100,931	-	100,931
Loss on disposal of assets	(5,254)	-	(5,254)
	<u>10,509,577</u>	<u>-</u>	<u>10,509,577</u>
Net assets released from restrictions	36,538	(36,538)	-
Total Revenue, Gains and Support	<u>10,546,115</u>	<u>(36,538)</u>	<u>10,509,577</u>
Expenses:			
Program services	7,963,196	-	7,963,196
Management and general	651,475	-	651,475
Fundraising	2,233,765	-	2,233,765
Total Expenses	<u>10,848,436</u>	<u>-</u>	<u>10,848,436</u>
Change in net assets	(302,321)	(36,538)	(338,859)
Net assets, beginning of year	<u>5,669,332</u>	<u>41,110</u>	<u>5,710,442</u>
Net assets, end of year	<u>\$ 5,367,011</u>	<u>\$ 4,572</u>	<u>\$ 5,371,583</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gain and Support:			
Direct marketing contributions	\$ 1,366,240	\$ -	\$ 1,366,240
Other contributions	7,234,388	25,000	7,259,388
In-kind support	1,205,639	-	1,205,639
Grants	203,089	-	203,089
Interest income	16,286	-	16,286
Investment income	271,777	-	271,777
Loss on disposal of assets	(60)	-	(60)
	<u>10,297,359</u>	<u>25,000</u>	<u>10,322,359</u>
Net assets released from restrictions	23,890	(23,890)	-
Total Revenue, Gains and Support	<u>10,321,249</u>	<u>1,110</u>	<u>10,322,359</u>
Expenses:			
Program services	7,613,288	-	7,613,288
Management and general	615,131	-	615,131
Fundraising	2,052,279	-	2,052,279
Total Expenses	<u>10,280,698</u>	<u>-</u>	<u>10,280,698</u>
Change in net assets	40,551	1,110	41,661
Net assets, beginning of year	<u>5,628,781</u>	<u>40,000</u>	<u>5,668,781</u>
Net assets, end of year	<u>\$ 5,669,332</u>	<u>\$ 41,110</u>	<u>\$ 5,710,442</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS ILLINOIS

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (338,859)	\$ 41,661
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	201,502	187,395
Bad debt expense	7,929	6,838
Net realized gains on investments	(84,093)	(38,109)
Net unrealized loss/(gain) on investments	24,008	(207,105)
Loss on disposal of property and equipment	5,254	60
Decrease (increase) in current assets:		
Receivables	(117,368)	167,471
Prepaid expenses	7,046	(34,503)
Other assets	(5,300)	(50,887)
Inventory	(28,770)	(10,504)
Increase (decrease) in current liabilities:		
Accounts payable	21,093	(14,819)
Accrued expenses	(3,474)	(17,132)
Funds held for others	20,230	(13,000)
Deferred revenue	(109,021)	83,857
Net cash from operating activities	<u>(399,823)</u>	<u>101,223</u>
Cash flows from investing activities		
Purchase of property and equipment	(441,417)	(70,729)
Proceeds from the sale of securities	343,132	167,122
Purchase of securities	(331,391)	(150,054)
Dividends and interest reinvested	(35,876)	-
Net cash from investing activities	<u>(465,552)</u>	<u>(53,661)</u>
Cash flows from financing activities		
Proceeds from line of credit	521,298	-
Payments on note payable	(248,934)	(122,149)
Net cash from financing activities	<u>272,364</u>	<u>(122,149)</u>
(Decrease) in cash and cash equivalents	(593,011)	(74,587)
Cash and cash equivalents, beginning of year	<u>1,056,260</u>	<u>1,130,847</u>
Cash and cash equivalents, end of year	<u>\$ 463,249</u>	<u>\$ 1,056,260</u>
Supplemental Disclosures for Cash Flow Information		
Cash interest paid	<u>\$ 9,977</u>	<u>\$ 14,370</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,285,898	\$ 193,288	\$ 386,576	\$ 3,865,762
Fundraising special events	-	-	1,354,488	1,354,488
Employee benefits/payroll tax	1,100,266	22,454	-	1,122,720
Food and housing	754,453	-	-	754,453
Equipment and facility rental	464,018	46,402	5,156	515,576
Occupancy	378,994	37,899	56,849	473,742
Travel	286,925	31,492	31,492	349,909
Fundraising contract	-	-	320,243	320,243
Athlete expenses	231,130	-	-	231,130
Sports events equipment/supplies	230,950	-	-	230,950
Hospitality	131,094	65,547	21,849	218,490
Other professional fees	83,633	75,270	8,363	167,266
Awards and recognition	164,880	-	-	164,880
Souvenirs	161,178	-	-	161,178
Printing and publications	110,028	24,940	11,736	146,704
Accreditation fees	130,178	-	-	130,178
Office supplies	44,787	49,764	4,976	99,527
Insurance	84,015	9,884	4,942	98,841
Technology	35,164	11,722	11,721	58,607
Staff development	29,039	14,519	4,840	48,398
Public relations	36,775	1,137	-	37,912
Audit and legal	16,674	16,674	-	33,348
Travel - board	13,669	9,113	-	22,782
Outreach initiatives	22,734	-	-	22,734
Interest	5,512	3,216	459	9,187
Bad debt	-	7,929	-	7,929
	<u>7,801,994</u>	<u>621,250</u>	<u>2,223,690</u>	<u>10,646,934</u>
Depreciation	161,202	30,225	10,075	201,502
Total expenses	<u>\$ 7,963,196</u>	<u>\$ 651,475</u>	<u>\$ 2,233,765</u>	<u>\$ 10,848,436</u>
Percentage of total	<u>73.40%</u>	<u>6.01%</u>	<u>20.59%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year ended December 31, 2013

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,152,755	\$ 185,456	\$ 370,912	\$ 3,709,123
Fundraising special events	-	-	1,216,841	1,216,841
Employee benefits/payroll tax	1,064,495	21,724	-	1,086,219
Food and housing	731,037	-	-	731,037
Equipment and facility rental	443,689	44,369	4,930	492,988
Occupancy	352,190	35,219	52,828	440,237
Travel	308,862	33,899	33,900	376,661
Fundraising contract	-	-	304,965	304,965
Athlete expenses	144,242	-	-	144,242
Sports events equipment/supplies	289,856	-	-	289,856
Hospitality	76,214	38,107	12,702	127,023
Other professional fees	94,865	85,378	9,486	189,729
Awards and recognition	154,247	-	-	154,247
Souvenirs	168,753	-	-	168,753
Printing and publications	107,728	24,418	11,491	143,637
Accreditation fees	120,118	-	-	120,118
Office supplies	45,394	50,437	5,044	100,875
Insurance	85,114	10,014	5,007	100,135
Technology	30,177	10,059	10,059	50,295
Staff development	24,151	12,076	4,025	40,252
Public relations	13,237	409	-	13,646
Audit and legal	12,623	12,623	-	25,246
Travel - board	16,450	10,967	-	27,417
Outreach initiatives	18,553	-	-	18,553
Interest	8,622	5,029	719	14,370
Bad debt	-	6,838	-	6,838
	<u>7,463,372</u>	<u>587,022</u>	<u>2,042,909</u>	<u>10,093,303</u>
Depreciation	149,916	28,109	9,370	187,395
Total expenses	<u>\$ 7,613,288</u>	<u>\$ 615,131</u>	<u>\$ 2,052,279</u>	<u>\$ 10,280,698</u>
Percentage of total	<u>74.06%</u>	<u>5.98%</u>	<u>19.96%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities. Special Olympics Illinois (Organization) is a non-profit corporation organized under the laws of the State of Illinois for the purpose of providing year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympic athletes and the community.

Significant Accounting Policies

- a. **Basis of Accounting** – All items of revenue and expense are recorded on the accrual basis of accounting.
- b. **Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.
- c. **Cash and Cash Equivalents** – The Organization considers all cash on hand, cash in checking accounts, cash in money market accounts and certificates of deposit with initial maturities of three months or less to be cash and cash equivalents. For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value.
- d. **Receivables** – The allowance is based on previous experience and management’s analysis of specific variables. Management considers all accounts receivable to be fully collectible, therefore no allowance for uncollectible receivables is considered necessary.
- e. **Other Assets** – The Organization is a member of ITEX Corporation, an online marketplace for businesses. ITEX is a virtual currency marketplace that processes cashless transactions across North America. The ITEX funds are available to be spent for good and services in the online marketplace only. Additionally, the Organization has security deposits related to its area locations.
- f. **Inventory** – Merchandise held for use and sale is stated at the lower of cost (first-in, first-out) or market.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

- g. Investments – Investments include marketable equity and debt securities. Investments in marketable equity and debt securities are carried at fair value with investment income and unrealized and realized gains and losses on investments reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor imposed restrictions.

The Fair Value Measurement Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the Fair Value Measurement Topic of the FASB ASC are described as follows:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

g. Investments – Continued

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end. These assets are classified as Level 1 assets.

Common stocks: The Organization values these securities at the closing price reported in the active market in which the individual securities are traded. These assets are classified as Level 1 assets.

Fixed income securities: Corporate and government bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings and maturities. These assets are classified as Level 2 assets.

Investment funds and exchange traded funds: Valued at the net asset value (NAV) of shares held by the Organization at year end. These assets are classified as Level 1 assets.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

- h. Property and Equipment – Expenditures for the acquisition of property and equipment over \$1,000 are recorded at cost less accumulated depreciation. Depreciation is charged against revenue over the economic useful life of the assets on the straight-line method. At December 31, 2014 and 2013, the estimated lives were as follows:**

Leasehold improvements	Life of the lease
Automobiles	3 years
Computer and office equipment	3-5 years
Buildings	40 years
Land improvements	15-20 years

Donated equipment is capitalized and reflected as a contribution at its estimated fair market value at date of receipt.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

- i. **Impairment** – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to future discounted cash flows expected to be guaranteed by the asset. If such assets are to be considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.
- j. **Deferred Revenue** – Sponsorships received in advance of the event are deferred and recognized in the period the event occurs.
- k. **Revenue Recognition** – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Restricted contributions, whose restrictions are met in the period of donation, are reported as unrestricted.
- l. **Functional Allocation of Expenses** – The Organization classifies expenditures according to its three main functions of program services, management and general, and fundraising. Expenses which directly benefit programs are allocated to program services. Expenses which have no direct benefit for any program are included in management and general expense. Expenses incurred to induce others to make contributions are included in fundraising expense.
- m. **Income Taxes** – Special Olympics Illinois, as a charitable organization, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of State tax laws and has been classified as an organization that is not a private foundation under section 509(a)(2).

In accordance with FASB ASC 740-10 which addresses income taxes, the Organization believes there are no significant uncertain tax positions resulting in liabilities that would have been required to be recorded for the years ended December 31, 2014 and 2013.

The Organization's Form 990 for 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

- n. **Financial Statement Presentation** – The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are those assets presently available for use by the Organization at the discretion of the board.

Temporarily Restricted Net Assets are those assets which are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets are those assets with a donor-imposed restriction that stipulates that resources be maintained permanently but permits the Organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

- o. **In-Kind contributions** – The Organization records various types of in-kind support, as described in Note 8. Contributed services are recognized if the services received (a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expense, except for those items that were capitalized and depreciated over their useful lives.

Additionally, the Organization receives a significant amount of contributed time including program, fundraising campaigns, and management which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. INVESTMENTS

Investments are stated at fair value. Fair values and unrealized gain (losses) at December 31, 2014 and 2013 are summarized below:

	2014		
	Cost	Market	Unrealized Gain
Mutual funds	\$ 843,365	\$ 929,160	\$ 85,795
Common stocks	423,006	608,439	185,433
Exchange traded funds	107,865	134,934	27,069
Fixed income securities	582,680	590,775	8,095
Investment funds	176,337	176,889	552
Total Investments	<u>\$ 2,133,253</u>	<u>\$ 2,440,197</u>	<u>\$ 306,944</u>

	2013		
	Cost	Market	Unrealized Gain (loss)
Mutual funds	\$ 816,634	\$ 978,763	\$ 162,129
Common stocks	392,994	544,846	151,852
Exchange traded funds	126,979	153,113	26,134
Fixed income securities	506,190	510,233	4,043
Investment funds	182,228	169,022	(13,206)
Total Investments	<u>\$ 2,025,025</u>	<u>\$ 2,355,977</u>	<u>\$ 330,952</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2014 and 2013.

	2014	2013
Investment income	\$ 40,846	\$ 26,563
Net realized gains on investments	84,093	38,109
Net unrealized (loss) gain on investments	<u>(24,008)</u>	<u>207,105</u>
Total return on investments	<u>\$ 100,931</u>	<u>\$ 271,777</u>

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. FAIR VALUE MEASUREMENT

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014 and 2013, are as follows:

	Fair Value Measurements at Reporting Date Using		
	Fair Value	(Level 1)	(Level 2)
December 31, 2014			
Mutual funds	\$ 929,160	\$ 929,160	\$ -
Common stocks	608,439	608,439	-
Exchange traded funds	134,934	134,934	-
Fixed income securities	590,775	-	590,775
Investment funds	176,889	176,889	-
	<u>\$ 2,440,197</u>	<u>\$ 1,849,423</u>	<u>\$ 590,775</u>
December 31, 2013			
Mutual funds	\$ 978,763	\$ 978,763	\$ -
Common stocks	544,846	544,846	-
Exchange traded funds	153,113	153,113	-
Fixed income securities	510,233	-	510,233
Investment funds	169,022	169,022	-
	<u>\$ 2,355,977</u>	<u>\$ 1,845,744</u>	<u>\$ 510,233</u>

4. PROPERTY AND EQUIPMENT

Property and equipment by major classification are as follows at December 31, 2014 and 2013.

	2014	2013
Leasehold improvements	\$ 82,346	\$ 82,346
Computer equipment	120,466	98,408
Automobiles	176,225	119,429
Office equipment	432,486	382,518
Building	2,237,569	2,204,858
Land improvements	1,195,280	1,195,280
Land	132,124	94,124
Construction in progress	236,630	-
	<u>4,613,126</u>	<u>4,176,963</u>
Less accumulated depreciation	<u>2,094,084</u>	<u>1,892,582</u>
Net property and equipment	<u>\$ 2,519,042</u>	<u>\$ 2,284,381</u>

Construction in Progress includes the remodel of the main and lower levels of the Normal office, to create additional office space.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. OPERATING LEASES

Leases Obligations – Equipment:

The Organization has entered into various operating lease agreements for copiers and postage machines. These agreements have monthly payments ranging from \$33 to \$3,150 and lengths running from 36 to 60 months.

Future minimum lease payments are as follows:

2015	\$ 64,912
2016	58,571
2017	57,067
2018	52,670
2019	<u>39,561</u>
Total	<u>\$ 272,781</u>

Lease Obligations – Real Property

The Organization has entered into various lease agreements for office facilities throughout the state. These agreements are of varying lengths and run through 2022. The monthly payments range from \$190 to \$10,260.

Future minimum lease payments are as follows:

2015	\$ 237,698
2016	176,557
2017	156,929
2018	151,032
2019	143,984
Thereafter	<u>220,306</u>
Total	<u>\$ 1,086,506</u>

The total rent expense for equipment and real estate under leases for years ended December 31, 2014 and 2013, was \$265,881 and \$250,498, respectively. The rent expenses for equipment and real estate is included in the statement of functional expenses within equipment and facility rent. This account also includes rent paid for items that are not under lease.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. FUNDRAISING REVENUE

The Organization has contracts with several direct marketing companies for which it receives substantial amounts of revenue. In the event that these contracts are not renewed, and no alternative methods of fundraising are obtained, a substantial reduction in revenue could occur.

7. TRANSACTIONS WITH SPECIAL OLYMPICS INTERNATIONAL

In accordance with the accreditation agreement, the National Offices provides various services to Special Olympics Illinois for a fee reflected below. The Organization also has an agreement with the National Office pertaining to a marketing program. The following is a summary of the transactions which occurred during the years ending December, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Support service fees remitted to the National Office	<u>\$ 149,379</u>	<u>\$ 136,364</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 605,163	\$ 604,668
Co-op projects/grants	<u>226,254</u>	<u>325,865</u>
Total	<u>\$ 831,417</u>	<u>\$ 930,533</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 124,785	\$ 95,619
Co-op projects/grants	<u>45,000</u>	<u>1,000</u>
Total	<u>\$ 169,785</u>	<u>\$ 96,619</u>

8. IN-KIND CONTRIBUTIONS

Illinois State University (ISU) provides payroll services, various insurance coverage, and employee benefits, including contributions to the State University's Retirement System, at no cost to the Organization. The estimated fair value of these benefits has been reported as support and expenses in the period in which they were used unless the contributed items were capitalized. The following are in-kind contributions received:

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. IN-KIND CONTRIBUTIONS (Continued)

In-kind from Illinois State University:

	<u>2014</u>	<u>2013</u>
Employee benefits	\$ 420,686	\$ 540,457

In-kind from other sources:

Special events – facility	38,718	14,480
Special events – publicity	28,925	16,824
Special events – supplies	5,023	1,250
Special events – hospitality	24,596	17,137
Special events – printing	11,292	5,595
Special events – awards	2,920	7,253
Special events – professional fees	12,150	4,075
Special events - other	650	4,000
Misc fundraising expenses	7,246	-
MedFest activities	168,625	210,000
Hospitality/entertainment	54,754	13,719
Awards and recognition	2,261	627
Equipment and facility rental	153,271	163,288
Office rent/occupancy	5,510	6,345
Food and housing	57,275	66,575
Games and equipment supplies/uniforms	18,455	19,834
Office supplies	5,925	-
Printing and publications	3,291	558
Other	9,997	6,150
Travel	83,861	83,171
Technology	9,398	24,301
Total in-kind from other sources	<u>704,143</u>	<u>665,182</u>
Total in-kind from all sources	<u>\$ 1,124,829</u>	<u>\$ 1,205,639</u>

In addition to the In-Kind contributions noted above, the Organization received \$73,763 in in-kind property which has been capitalized during the year ended December 31, 2014. There were no such contributions for the year ending December 31, 2013.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NATURE OF UNRESTRICTED NET ASSETS

	<u>2014</u>	<u>2013</u>
Internally designated:		
Contingency reserve	\$ 2,400,000	\$ 2,400,000
Undesignated	2,967,011	3,269,332
Total unrestricted net assets	<u>\$ 5,367,011</u>	<u>\$ 5,669,332</u>

10. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at December 31, 2014 and 2013 were \$4,572 and \$41,110, respectively. Temporarily restricted net assets are related to a contribution given to the Organization for technology purchases and upgrades including a Games Management System, Terminal Server, and an Intranet/Program Portal, upgrading health systems for under-served communities, and supporting the Organization's statewide Healthy Athletes screenings.

11. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts in various banks. From time to time cash balances in these accounts may exceed federally insured limits.

12. NOTE PAYABLE

At December 31, 2013, the Organization had a note payable to Commerce Bank totaling \$248,934. During the year ended December 31, 2014, the note payable was paid off with proceeds from the line of credit.

13. LINE OF CREDIT

On September 19, 2014, the Organization obtained a line of credit with First Mid-West Bank Champaign. The line of credit is for \$1,000,000 with an interest rate of 2.6%. The note is due to be paid in one principal payment on September 19, 2017. Regular monthly payments of all accrued unpaid interest are due beginning October 19, 2014. At December 31, 2014, the balance was \$521,298. The note is secured by the real estate.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

14. RETIREMENT PLAN

The Organization has a 401k retirement savings plan for all full time field staff with immediate plan entry. Annually, the Organization makes a discretionary matching contribution equal to a percentage or dollar amount of the employees' elective deferrals. Each year the Organization will determine the formula for the discretionary matching contribution.

Retirement plan expense was \$28,719 and \$20,523 for the years ended December 31, 2014 and 2013, respectively.

15. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through March 31, 2015, which was the date that these financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.