

**SPECIAL OLYMPICS ILLINOIS
NORMAL, ILLINOIS**

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

For the Years Ended
December 31, 2013 and 2012



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 statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows 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 audit. We conducted our audit 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, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Sikich LLP". The signature is written in a cursive, flowing style.

Springfield, Illinois
April 9, 2014

FINANCIAL STATEMENTS

SPECIAL OLYMPICS ILLINOIS

Statements of Financial Position

For the Years Ending December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 1,056,260	\$ 1,130,847
Receivables	391,581	565,890
Prepaid expenses	116,826	82,323
Other assets	50,887	-
Inventory	20,753	10,249
Investments	2,355,977	2,127,831
Property and equipment (at cost, net of accumulated depreciation of \$1,892,582 and \$1,953,684)	<u>2,284,381</u>	<u>2,401,107</u>
Total assets	<u><u>\$ 6,276,665</u></u>	<u><u>\$ 6,318,247</u></u>
Liabilities		
Accounts payable	\$ 53,419	\$ 68,238
Accrued expenses	12,559	29,691
Deferred revenue	251,311	167,454
Funds held for others	-	13,000
Notes payable	<u>248,934</u>	<u>371,083</u>
Total liabilities	<u>566,223</u>	<u>649,466</u>
Net Assets		
Unrestricted	5,669,332	5,628,781
Temporarily restricted	<u>41,110</u>	<u>40,000</u>
Total net assets	<u>5,710,442</u>	<u>5,668,781</u>
Total Liabilities and Net Assets	<u><u>\$ 6,276,665</u></u>	<u><u>\$ 6,318,247</u></u>

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

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue, Gain (Loss) 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
Net investment income	26,563	-	26,563
Net realized and unrealized gains on investments	245,214	-	245,214
Loss on disposal of assets	(60)	-	(60)
	10,297,359	25,000	10,322,359
Net assets released from restrictions	23,890	(23,890)	-
Total Revenue, Gains and Support	10,321,249	1,110	10,322,359
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	10,280,698	-	10,280,698
Increase in net assets	40,551	1,110	41,661
Net assets, beginning of year	5,628,781	40,000	5,668,781
Net assets, end of year	\$ 5,669,332	\$ 41,110	\$ 5,710,442

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

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue, Gain and Support:			
Direct marketing contributions	\$ 1,615,937	\$ -	\$ 1,615,937
Other contributions	6,481,050	50,000	6,531,050
In-kind support	1,235,078	-	1,235,078
Grants	119,898	-	119,898
Registration fees	3,814	-	3,814
Interest income	8,986	-	8,986
Net investment income	38,216	-	38,216
Net realized and unrealized gains on investments	167,104	-	167,104
Other income	239,498	-	239,498
	9,909,581	50,000	9,959,581
Net assets released from restrictions	10,000	(10,000)	-
Total Revenue, Gains and Support	9,919,581	40,000	9,959,581
Expenses:			
Program services	7,178,534	-	7,178,534
Management and general	551,460	-	551,460
Fundraising	2,023,341	-	2,023,341
Total Expenses	9,753,335	-	9,753,335
Increase in net assets	166,246	40,000	206,246
Net assets, beginning of year	5,462,535	-	5,462,535
Net assets, end of year	\$ 5,628,781	\$ 40,000	\$ 5,668,781

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

SPECIAL OLYMPICS ILLINOIS

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 41,661	\$ 206,246
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	187,395	191,136
Bad debt expense	6,838	36,079
Net realized gains, net of fees on investments	(38,109)	(57,229)
Net unrealized gain on investments	(207,105)	(109,875)
Loss on disposal of property and equipment	60	-
Decrease (increase) in current assets:		
Receivables	167,471	(360,509)
Prepaid expenses	(34,503)	(52,492)
Other assets	(50,887)	-
Inventory	(10,504)	8,222
Increase (decrease) in current liabilities:		
Accounts payable	(14,819)	7,630
Accrued expenses	(17,132)	(12,133)
Funds held for others	(13,000)	7,500
Deferred revenue	83,857	(47,831)
Net cash from operating activities	101,223	(183,256)
Cash flows from investing activities		
Purchase of property and equipment	(70,729)	(112,833)
Proceeds from the sale of securities	167,122	1,930,701
Purchase of securities	(150,054)	(2,154,369)
Net cash from investing activities	(53,661)	(336,501)
Cash flows from financing activities		
Payments on notes payable	(122,149)	(117,671)
Net cash from financing activities	(122,149)	(117,671)
(Decrease) in cash and cash equivalents	(74,587)	(637,428)
Cash and cash equivalents, beginning of year	1,130,847	1,768,275
Cash and cash equivalents, end of year	\$ 1,056,260	\$ 1,130,847
Supplemental Disclosures for Cash Flow Information		
Interest paid	\$ 14,370	\$ 19,938

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accreditation fees	\$ 120,118	\$ -	\$ -	\$ 120,118
Athlete expenses	144,242	-	-	144,242
Audit and legal	12,623	12,623	-	25,246
Awards and recognition	154,247	-	-	154,247
Bad debt	-	6,838	-	6,838
Equipment and facility rental	443,689	44,369	4,930	492,988
Employee benefits/payroll tax	1,064,495	21,724	-	1,086,219
Fundraising contract	-	-	304,965	304,965
Fundraising special events	-	-	1,216,841	1,216,841
Food and housing	731,037	-	-	731,037
Hospitality	76,214	38,107	12,702	127,023
Insurance	85,114	10,014	5,007	100,135
Interest	8,622	5,029	719	14,370
Occupancy	352,190	35,219	52,828	440,237
Office supplies	45,394	50,437	5,044	100,875
Other professional fees	94,865	85,378	9,486	189,729
Outreach initiatives	18,553	-	-	18,553
Printing and publications	107,728	24,418	11,491	143,637
Public relations	13,237	409	-	13,646
Salaries	3,152,755	185,456	370,912	3,709,123
Souvenirs	168,753	-	-	168,753
Sports events equipment/supplies	289,856	-	-	289,856
Staff development	24,151	12,076	4,025	40,252
Technology	30,177	10,059	10,059	50,295
Travel	308,862	33,899	33,900	376,661
Travel - board	16,450	10,967	-	27,417
	<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>74.05%</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

Statement of Functional Expenses

For the Year ended December 31, 2012

	Program Services	Management and General	Fundraising	Total
Accreditation fees	\$ 120,831	\$ -	\$ -	\$ 120,831
Athlete expenses	139,412	-	-	139,412
Audit and legal	11,315	11,315	-	22,630
Awards and recognition	146,538	-	-	146,538
Bad debt	-	36,079	-	36,079
Equipment and facility rental	438,327	42,768	6,975	488,070
Employee benefits/payroll tax	1,053,170	21,493	-	1,074,663
Fundraising contract	-	-	469,894	469,894
Fundraising special events	-	-	1,105,809	1,105,809
Food and housing	707,732	-	-	707,732
Hospitality	79,596	39,798	13,266	132,660
Insurance	80,386	9,458	4,727	94,571
Interest	11,814	6,892	984	19,690
Occupancy	340,311	32,635	53,765	426,711
Office supplies	39,778	44,198	4,419	88,395
Other professional fees	62,207	55,836	6,720	124,763
Outreach initiatives	8,590	-	-	8,590
Printing and publications	97,496	22,099	10,399	129,994
Public relations	5,783	178	-	5,961
Salaries	3,019,417	156,040	307,550	3,483,007
Souvenirs	151,471	-	-	151,471
Sports events equipment/supplies	234,662	-	-	234,662
Staff development	15,527	7,764	2,587	25,878
Technology	5,847	1,923	1,886	9,656
Travel	241,579	25,089	24,803	291,471
Travel - board	13,836	9,225	-	23,061
	<u>7,025,625</u>	<u>522,790</u>	<u>2,013,784</u>	<u>9,562,199</u>
Depreciation	152,909	28,670	9,557	191,136
Total expenses	<u>\$ 7,178,534</u>	<u>\$ 551,460</u>	<u>\$ 2,023,341</u>	<u>\$ 9,753,335</u>
Percentage of total	<u>73.60%</u>	<u>5.65%</u>	<u>20.75%</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, 2013 and 2012

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 Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' 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. 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.

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, 2013 and 2012, 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. Deferred Revenue – Sponsorships received in advance of the event are deferred and recognized in the period the event occurs.
- j. 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.
- k. 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.
- l. 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, 2013 and 2012.

The Organization's Form 990 for 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

- m. 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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

m. Financial Statement Presentation – Continued

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.

- n. In-Kind contributions – The Organization records various types of in-kind support, as described in Note 7. 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, 2013 and 2012 are summarized below:

	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>

	2012		
	Cost	Market	Unrealized Gain
Mutual funds	\$ 820,181	\$ 879,032	\$ 58,851
Common stocks	390,605	421,055	30,450
Exchange traded funds	104,778	114,006	9,228
Fixed income securities	506,190	529,642	23,452
Investment funds	182,230	184,096	1,866
Total Investments	<u>\$ 2,003,984</u>	<u>\$ 2,127,831</u>	<u>\$ 123,847</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2013 and 2012.

	2013	2012
Investment income, net of fees	\$ 26,563	\$ 38,216
Net realized gains (losses) on investments	38,109	57,229
Net unrealized gains on investments	<u>207,105</u>	<u>109,875</u>
Total return on investments	<u>\$ 271,777</u>	<u>\$ 205,320</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, 2013 and 2012, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>December 31, 2013</u>				
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>	<u>\$ -</u>
<u>December 31, 2012</u>				
Mutual funds	\$ 879,032	\$ 879,032	\$ -	\$ -
Common stocks	421,055	421,055	-	-
Exchange traded funds	114,006	114,006	-	-
Fixed income securities	529,642	-	529,642	-
Investment funds	184,096	184,096	-	-
	<u>\$ 2,127,831</u>	<u>\$ 1,598,189</u>	<u>\$ 529,642</u>	<u>\$ -</u>

4. PROPERTY AND EQUIPMENT

Property and equipment by major classification are as follows at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 82,346	\$ 82,346
Computer equipment	98,408	157,905
Automobiles	119,429	237,270
Office equipment	382,518	383,008
Building	2,204,858	2,204,858
Land improvements	1,195,280	1,195,280
Land	94,124	94,124
	<u>4,176,963</u>	<u>4,354,791</u>
Less accumulated depreciation	<u>1,892,582</u>	<u>1,953,684</u>
Net property and equipment	<u>\$ 2,284,381</u>	<u>\$ 2,401,107</u>

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 \$985 and lengths running from 36 to 72 months.

Future minimum lease payments are as follows:

2014	\$	41,095
2015		23,877
2016		16,735
2017		15,232
2018 and thereafter		<u>10,835</u>
Total	\$	<u>107,774</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.

Lease Obligations – Real Property (Continued)

Future minimum lease payments are as follows:

2014	\$	227,219
2015		230,498
2016		176,557
2017		156,929
2018 and thereafter		<u>515,321</u>
Total	\$	<u>1,306,524</u>

The total rent expense for equipment and real estate under leases for years ended December 31, 2013 and 2012, was \$250,498 and \$224,814, 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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Support service fess remitted to National Office	<u>\$ 136,364</u>	<u>\$ 122,381</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 604,668	\$ 465,726
Co-op projects/grants	<u>121,776</u>	<u>181,699</u>
Total	<u>\$ 726,444</u>	<u>\$ 647,425</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 95,619	\$ 57,627
Co-op projects/grants	<u>1,000</u>	<u>30,000</u>
Total	<u>\$ 96,619</u>	<u>\$ 87,627</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 Organization continues to receive in-kind contributions from ISU pertaining to employee benefits. The following are in-kind contributions received:

In-kind from Illinois State University:	<u>2013</u>	<u>2012</u>
Employee benefits	\$ 540,457	\$ 622,322

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. IN-KIND CONTRIBUTIONS (Continued)

In-kind from other sources:

Special events – facility	14,480	19,220
Special events – publicity	16,824	38,800
Special events – supplies	1,250	820
Special events – hospitality	17,137	21,524
Special events – printing	5,595	5,447
Special events – awards	7,253	5,688
Special events – professional fees	4,075	4,800
Special events - other	4,000	700
Misc fundraising expenses	-	8,252
MedFest activities	210,000	143,000
Hospitality/entertainment	13,719	12,065
Awards and recognition	627	1,429
Equipment and facility rental	163,288	209,281
Office rent/occupancy	6,345	4,550
Food and housing	66,575	41,232
Games and equipment supplies/uniforms	19,834	15,088
Office supplies	-	200
Printing and publications	558	1,818
Other	6,150	4,084
Travel	83,171	30,745
Technology	24,301	44,013
Total in-kind from other sources	665,182	612,756
Total in-kind from all sources	<u>\$ 1,205,639</u>	<u>\$ 1,235,078</u>

9. NATURE OF UNRESTRICTED NET ASSETS

	<u>2013</u>	<u>2012</u>
Internally designated:		
Contingency reserve	\$ 2,400,000	\$ 900,000
Undesignated	<u>3,269,332</u>	<u>4,728,781</u>
Total unrestricted net assets	<u>\$ 5,669,332</u>	<u>\$ 5,628,781</u>

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at December 31, 2013 and 2012 were \$41,110 and \$40,000, 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 and investments in various banks, investment companies and an agency account. 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. At December 31, 2012, the balance was \$371,083. The note is payable in monthly installments of \$11,377 with an interest rate of 4.50%. The note is due on November 15, 2015. The note is secured by the real estate.

Future scheduled maturity of the note is payable as follows:

Year Ending	
<u>December 31:</u>	
2014	\$ 127,923
2015	<u>121,011</u>
	<u>\$ 248,934</u>

13. RETIREMENT PLAN

The Organization had a pension plan for all full time field staff with immediate plan entry. The Organization contributed 4% of each eligible field staff's annual salary into a money purchase pension plan. The plan ended December 31, 2012. Effective January 1, 2013, the Organization adopted a new 401(k) retirement savings plan 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.

Pension expense was \$20,523 and \$46,507 for the years ended December 31, 2013 and 2012, respectively.

14. 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 April 9, 2014, 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.