

**SPECIAL OLYMPICS ILLINOIS  
NORMAL, ILLINOIS**

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

For the Years Ended  
December 31, 2015 and 2014



**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 (Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Sitch LLP".

Springfield, Illinois  
May 31, 2016

## **FINANCIAL STATEMENTS**

# SPECIAL OLYMPICS ILLINOIS

## Statements of Financial Position

For the Years Ending December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 600,201	\$ 463,249
Receivables	636,075	331,235
Receivables - Special Olympics International	212,522	169,785
Investments	2,514,781	2,440,197
Prepaid expenses	101,181	109,780
Other assets	71,681	56,187
Inventory	45,229	49,523
Property and equipment, net	2,798,532	2,519,042
Total assets	<u>\$ 6,980,202</u>	<u>\$ 6,138,998</u>
<b>Liabilities</b>		
Accounts payable	\$ 162,650	\$ 74,512
Accrued expenses	-	9,085
Deferred revenue	109,062	142,290
Funds held for others	-	20,230
Line of credit	396,553	521,298
Note payable	862,757	-
Total liabilities	<u>1,531,022</u>	<u>767,415</u>
<b>Net Assets</b>		
Unrestricted		
Board designated	2,700,000	2,400,000
Undesignated	2,749,180	2,967,011
Total unrestricted net assets	<u>5,449,180</u>	<u>5,367,011</u>
Temporarily restricted	<u>-</u>	<u>4,572</u>
Total net assets	<u>5,449,180</u>	<u>5,371,583</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,980,202</u>	<u>\$ 6,138,998</u>

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

# SPECIAL OLYMPICS ILLINOIS

## Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Support:</b>			
Direct marketing contributions	\$ 1,174,747	\$ -	\$ 1,174,747
Other contributions	8,593,823	-	8,593,823
In-kind support	3,675,098	-	3,675,098
Grants	202,800	-	202,800
Interest income	25,927	-	25,927
Investment Income, net	3,078	-	3,078
Other revenue - sale of merchandise	275,407	-	275,407
Gain on disposal of assets	4,271	-	4,271
	<u>13,955,151</u>	<u>-</u>	<u>13,955,151</u>
Net assets released from restrictions	4,572	(4,572)	-
Total Revenue, Gains and Support	<u>13,959,723</u>	<u>(4,572)</u>	<u>13,955,151</u>
<b>Expenses:</b>			
Program services	10,741,619	-	10,741,619
Management and general	691,689	-	691,689
Fundraising	2,444,246	-	2,444,246
Total Expenses	<u>13,877,554</u>	<u>-</u>	<u>13,877,554</u>
<b>Change in net assets</b>	82,169	(4,572)	77,597
<b>Net assets, beginning of year</b>	<u>5,367,011</u>	<u>4,572</u>	<u>5,371,583</u>
<b>Net assets, end of year</b>	<u>\$ 5,449,180</u>	<u>\$ -</u>	<u>\$ 5,449,180</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>
<b>Revenues, Gains (Losses) and Support:</b>			
Direct marketing contributions	\$ 1,246,275	\$ -	\$ 1,246,275
Other contributions	7,519,412	-	7,519,412
In-kind support	1,198,592	-	1,198,592
Grants	213,077	-	213,077
Interest income	17,825	-	17,825
Investment income, net	100,931	-	100,931
Other revenue - sale of merchandise	218,719	-	218,719
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>
<b>Expenses:</b>			
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>
<b>Change in net assets</b>	<b>(302,321)</b>	<b>(36,538)</b>	<b>(338,859)</b>
<b>Net assets, beginning of year</b>	<u>5,669,332</u>	<u>41,110</u>	<u>5,710,442</u>
<b>Net assets, end of year</b>	<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

### Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 77,597	\$ (338,859)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	244,907	201,502
Bad debt expense	42,995	7,929
Net realized gains on investments	(61,018)	(84,093)
Net unrealized loss on investments	60,986	24,008
(Gain) Loss on disposal of property and equipment	(4,271)	5,254
Decrease (increase) in assets:		
Receivables	(347,835)	(44,202)
Receivables - Special Olympics International	(42,737)	(73,166)
Prepaid expenses	8,599	7,046
Other assets	(15,494)	(5,300)
Inventory	4,294	(28,770)
Increase (decrease) in liabilities:		
Accounts payable	88,138	21,093
Accrued expenses	(9,085)	(3,474)
Funds held for others	(20,230)	20,230
Deferred revenue	(33,228)	(109,021)
<b>Net cash from operating activities</b>	(6,382)	(399,823)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(544,375)	(441,417)
Proceeds from the sale of property and equipment	24,249	-
Proceeds from the sale of securities	2,636,247	343,132
Purchase of securities	(2,697,265)	(331,391)
Dividends and interest reinvested	(13,534)	(35,876)
<b>Net cash from investing activities</b>	(594,678)	(465,552)
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	774,541	521,298
Payments on line of credit	(899,286)	-
Proceeds from note payable	899,286	-
Payments on note payable	(36,529)	(248,934)
<b>Net cash from financing activities</b>	738,012	272,364
<b>Change in cash and cash equivalents</b>	136,952	(593,011)
<b>Cash and cash equivalents, beginning of year</b>	463,249	1,056,260
<b>Cash and cash equivalents, end of year</b>	\$ 600,201	\$ 463,249
<b>Supplemental Disclosures for Cash Flow Information</b>		
Cash interest paid	\$ 34,609	\$ 9,977

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

## SPECIAL OLYMPICS ILLINOIS

### Statement of Functional Expenses

For the Year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,501,733	\$ 205,984	\$ 411,969	\$ 4,119,686
Fundraising special events	-	-	1,397,619	1,397,619
Employee benefits/payroll tax	886,978	52,175	104,350	1,043,503
Food and housing	821,149	-	-	821,149
Equipment and facility rental	666,711	66,671	7,408	740,790
Occupancy	407,118	40,712	61,068	508,898
Travel	305,512	33,532	33,532	372,576
Fundraising contract	-	-	368,462	368,462
Athlete expenses	206,477	-	-	206,477
Sports events equipment/supplies	136,445	-	-	136,445
Hospitality	85,556	42,778	14,259	142,593
Other professional fees	2,611,802	55,585	6,176	2,673,563
Awards and recognition	184,947	-	-	184,947
Souvenirs	202,953	-	-	202,953
Printing and publications	98,030	22,220	10,457	130,707
Accreditation fees	138,060	-	-	138,060
Office supplies	26,114	29,016	2,902	58,032
Insurance	101,459	11,936	5,968	119,363
Technology	5,974	1,992	1,991	9,957
Staff development	24,659	12,330	4,110	41,099
Public relations	64,828	2,005	-	66,833
Audit and legal	14,542	14,542	-	29,084
Travel - board	12,549	8,366	-	20,915
Outreach initiatives	21,332	-	-	21,332
Interest	20,765	12,114	1,730	34,609
Bad debts	-	42,995	-	42,995
	<u>10,545,693</u>	<u>654,953</u>	<u>2,432,001</u>	<u>13,632,647</u>
Depreciation	195,926	36,736	12,245	244,907
Total expenses	<u>\$ 10,741,619</u>	<u>\$ 691,689</u>	<u>\$ 2,444,246</u>	<u>\$ 13,877,554</u>
Percentage of total	<u>77.41%</u>	<u>4.98%</u>	<u>17.61%</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, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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### 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. 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)

f. Fair Value Measurements -

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using the net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

**SPECIAL OLYMPICS ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

g. Fair Value Measurements – Continued

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended December 31, 2015.

- Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.
  - Domestic equity securities: Valued at the closing quoted price in an active market.
  - Investment funds and exchange traded funds: Valued at the NAV of shares on the last trading day of the fiscal year.
  - Corporate debt securities: The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.
- 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, 2015 and 2014, 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 and building 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)

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

Significant Accounting Policies (Continued)

- i. Advertising Costs – Advertising costs paid by the Organization are expensed as incurred. Advertising expense for years ended December 31, 2015 and 2014, was \$29,482 and \$38,756, respectively.
- 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).

**SPECIAL OLYMPICS ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**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.

- p. Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations. In 2014 the Organization concluded that it was appropriate to separately classify accounts receivable from Special Olympics International and separately classify other revenue – sale of merchandise from other contributions on the Statement of Activities.



**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, 2015 and 2014 are summarized below:

	2015		
	Cost	Market	Unrealized Gain (loss)
Mutual funds	\$ 869,679	\$ 973,137	\$ 103,458
Exchange traded funds	950,528	1,013,258	62,730
Corporate debt securities	633,589	528,386	(105,203)
Total Investments	<u>\$ 2,453,796</u>	<u>\$ 2,514,781</u>	<u>\$ 60,985</u>

  

	2014		
	Cost	Market	Unrealized Gain
Mutual funds	\$ 843,365	\$ 929,160	\$ 85,795
Domestic equity securities	423,006	608,439	185,433
Exchange traded funds	107,865	134,934	27,069
Corporate debt 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>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2015 and 2014.

	2015	2014
Investment income	\$ 3,110	\$ 40,846
Net realized gains (losses) on investments	(61,018)	84,093
Net unrealized gain (loss) on investments	60,986	(24,008)
Total return on investments	<u>\$ 3,078</u>	<u>\$ 100,931</u>

**SPECIAL OLYMPICS ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. FAIR VALUE MEASUREMENT**

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and December 31, 2014 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2015</u>			
Mutual funds	\$ 973,137	\$ -	\$ 973,138
Exchange traded funds	1,013,258	-	1,013,258
Corporate debt securities	-	528,386	528,386
	<u>\$ 1,986,395</u>	<u>\$ 528,386</u>	<u>\$ 2,514,781</u>
<u>December 31, 2014</u>			
Mutual funds	\$ 929,160	\$ -	\$ 929,160
Domestic equity securities	608,439	-	608,439
Exchange traded funds	134,934	-	134,934
Corporate debt securities	-	590,775	590,775
Investment funds	176,889	-	176,889
	<u>\$ 1,849,422</u>	<u>\$ 590,775</u>	<u>\$ 2,440,197</u>

Investment fees incurred were \$14,675 and \$16,893 for the year ended December 31, 2015 and December 31, 2014, respectively.

**4. PROPERTY AND EQUIPMENT**

Property and equipment by major classification are as follows at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 82,346	\$ 82,346
Computer equipment	128,880	120,466
Automobiles	169,955	176,225
Office equipment	497,977	432,486
Building	2,920,540	2,237,569
Land improvements	1,195,280	1,195,280
Land	132,124	132,124
Construction in progress	-	236,630
	<u>5,127,102</u>	<u>4,613,126</u>
Less accumulated depreciation	<u>2,328,570</u>	<u>2,094,084</u>
Net property and equipment	<u>\$ 2,798,532</u>	<u>\$ 2,519,042</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)

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**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 \$26 to \$3,150 and lengths running from 36 to 60 months.

Future minimum lease payments are as follows:

2016	\$ 97,982
2017	57,565
2018	53,089
2019	<u>39,595</u>
Total	<u>\$ 248,231</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 \$100 to \$10,260.

Future minimum lease payments are as follows:

2016	\$ 245,952
2017	239,290
2018	214,209
2019	208,312
2020	179,984
Thereafter	<u>257,106</u>
Total	<u>\$ 1,344,853</u>

The total rent expense for equipment and real estate under leases for years ended December 31, 2015 and 2014, was \$348,755 and \$265,881, 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)**

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**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 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Support service fess remitted to the National Office	<u>\$ 152,222</u>	<u>\$ 149,379</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 554,279	\$ 605,163
Co-op projects/grants	<u>217,037</u>	<u>226,254</u>
Total	<u>\$ 771,316</u>	<u>\$ 831,417</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 212,522	\$ 124,785
Co-op projects/grants	<u>-</u>	<u>45,000</u>
Total	<u>\$ 212,522</u>	<u>\$ 169,785</u>

**8. IN-KIND CONTRIBUTIONS**

Illinois State University (ISU) provided payroll services, various insurance coverage, and employee benefits, including contributions to the State University's Retirement System, at no cost to the Organization through June 30, 2015. 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>2015</u>	<u>2014</u>
Employee benefits	\$ 211,420	\$ 420,686

In-kind from other sources:

Special events – facility	24,834	38,718
Special events – publicity	21,891	28,925
Special events – supplies	33,342	5,023
Special events – hospitality	24,326	24,596
Special events – printing	2,699	11,292
Special events – awards	1,536	2,920
Special events – professional fees	2,765	12,150
Special events - other	1,920	650
Misc fundraising expenses	4,802	7,246
MedFest activities	233,270	168,625
Hospitality/entertainment	36,653	54,754
Awards and recognition	18,756	2,261
Equipment and facility rental	290,827	153,271
Office rent/occupancy	14,288	5,510
Food and housing	122,057	57,275
Games and equipment supplies/uniforms	31,100	18,455
Public relations	44,596	-
Athlete coaching activities	2,416,308	-
Office supplies	2,039	5,925
Printing and publications	4,251	3,291
Other	1,425	9,997
Travel	120,729	83,861
Technology	1,264	9,398
Total in-kind from other sources	<u>3,455,678</u>	<u>704,143</u>
Total in-kind from all sources	<u>\$ 3,667,098</u>	<u>\$ 1,124,829</u>

In addition to the In-Kind contributions noted above, the Organization received \$8,000 and \$73,763 in in-kind property which has been capitalized during the year ended December 31, 2015 and December 31, 2014, respectively.

**SPECIAL OLYMPICS ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**9. NATURE OF UNRESTRICTED NET ASSETS**

	<u>2015</u>	<u>2014</u>
Internally designated:		
Operating reserve	\$ 2,700,000	\$ 2,400,000
Undesignated	<u>2,749,180</u>	<u>2,967,011</u>
Total unrestricted net assets	<u>\$ 5,449,180</u>	<u>\$ 5,367,011</u>

**10. TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets at December 31, 2014 was \$4,572. 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. RELATED PARTY TRANSACTIONS**

It is common for members of the Board of Directors to contribute to the Organization on an annual basis to support general operations or fundraising events. Contributions were received and recognized in the normal course of business using the same approval and measurement process as general contributions.

**13. NOTE PAYABLE**

At December 31, 2015, the Organization had a note payable to First Midwest Bank signed on June 24, 2015 totaling \$862,757 with an interest rate of 4.05%. The note is due June 24, 2020 and is payable in 59 regular payments of \$9,127 and one irregular last payment estimated to be \$506,433. The note is secured 605 East Willow Street, Normal, Illinois 61761.

Loan maturities for each of the five years following December 31, 2015, are as follows:

2016	\$ 75,996
2017	79,132
2018	82,397
2019	85,797
2020	<u>539,435</u>
Total	<u>\$ 862,757</u>

**SPECIAL OLYMPICS ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**14. 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. The line of credit balance as of December 31, 2015 and 2014, was \$396,553 and \$521,298, respectfully. The note is secured by 605 East Willow Street, Normal, Illinois 61761.

**15. 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 \$44,018 and \$28,719 for the years ended December 31, 2015 and 2014, respectively.

**16. 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 May 31, 2016, 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.