

**SPECIAL OLYMPICS ILLINOIS  
NORMAL, ILLINOIS**

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

For the Years Ended  
December 31, 2016 and 2015



**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, 2016 and 2015, 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, 2016 and 2015, 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.

*Sikich LLP*

Springfield, Illinois  
April 18, 2017

## **FINANCIAL STATEMENTS**

# SPECIAL OLYMPICS ILLINOIS

## Statements of Financial Position

For the Years Ending December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 924,675	\$ 600,201
Receivables	134,698	636,075
Receivables - Special Olympics International	233,692	212,522
Prepaid expenses	99,289	101,181
Other assets	10,363	71,681
Inventory	39,215	45,229
Investments	2,679,768	2,514,781
Property and equipment, net	2,702,957	2,798,532
Total assets	<u>\$ 6,824,657</u>	<u>\$ 6,980,202</u>
<b>Liabilities</b>		
Accounts payable	\$ 208,199	\$ 148,162
Accrued payroll	170,841	14,488
Deferred revenue	144,034	109,062
Funds held for others	1,051	-
Line of credit	-	396,553
Note payable	787,348	862,757
Total liabilities	<u>1,311,473</u>	<u>1,531,022</u>
<b>Net Assets</b>		
Unrestricted		
Board designated	2,700,000	2,700,000
Undesignated	2,772,482	2,749,180
Total unrestricted net assets	<u>5,472,482</u>	<u>5,449,180</u>
Temporarily restricted	<u>40,702</u>	<u>-</u>
Total net assets	<u>5,513,184</u>	<u>5,449,180</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,824,657</u>	<u>\$ 6,980,202</u>

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

# SPECIAL OLYMPICS ILLINOIS

## Statements of Activities

Year Ended December 31, 2016

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains (Losses) and Support:</b>			
Direct marketing contributions	\$ 1,139,669	\$ -	\$ 1,139,669
Other contributions	8,633,678	85,000	8,718,678
In-kind support	3,942,664	-	3,942,664
Grants	294,200	-	294,200
Interest income	113,456	-	113,456
Realized and Unrealized gain, net	8,432	-	8,432
Other revenue - sale of merchandise	223,482	-	223,482
Loss on disposal of assets	(8,859)	-	(8,859)
	<u>14,346,722</u>	<u>85,000</u>	<u>14,431,722</u>
Net assets released from restrictions	44,298	(44,298)	-
Total Revenue, Gains (Losses) and Support	<u>14,391,020</u>	<u>40,702</u>	<u>14,431,722</u>
<b>Expenses:</b>			
Program services	11,198,503	-	11,198,503
Management and general	719,745	-	719,745
Fundraising	2,449,470	-	2,449,470
Total Expenses	<u>14,367,718</u>	<u>-</u>	<u>14,367,718</u>
<b>Change in net assets</b>	23,302	40,702	64,004
<b>Net assets, beginning of year</b>	<u>5,449,180</u>	<u>-</u>	<u>5,449,180</u>
<b>Net assets, end of year</b>	<u>\$ 5,472,482</u>	<u>\$ 40,702</u>	<u>\$ 5,513,184</u>

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

# SPECIAL OLYMPICS ILLINOIS

## Statements of Activities

Year Ended December 31, 2015

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	<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
Realized and Unrealized gain, 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

### Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 64,004	\$ 77,597
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	245,377	244,907
Non-cash contribution of property and equipment	(59,711)	(8,000)
Bad debt expense	7,130	42,995
Net realized losses on investments	15,134	61,018
Net unrealized gain on investments	(23,566)	(60,986)
(Gain) Loss on disposal of property and equipment	8,859	(4,271)
Decrease (increase) in assets:		
Receivables	494,247	(347,835)
Receivables - Special Olympics International	(21,170)	(42,737)
Prepaid expenses	1,892	8,599
Other assets	61,318	(15,494)
Inventory	6,014	4,294
Increase (decrease) in liabilities:		
Accounts payable	60,037	88,138
Accrued payroll	156,353	(9,085)
Funds held for others	1,051	(20,230)
Deferred revenue	34,972	(33,228)
<b>Net cash from operating activities</b>	<b>1,051,941</b>	<b>(14,318)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(102,060)	(536,375)
Proceeds from the sale of property and equipment	3,110	24,249
Proceeds from the sale of securities	1,198,879	2,636,247
Purchase of securities	(1,242,032)	(2,697,329)
Dividends and interest reinvested	(113,402)	(13,534)
<b>Net cash from investing activities</b>	<b>(255,505)</b>	<b>(586,742)</b>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	200,000	774,541
Payments on line of credit	(596,553)	(899,286)
Proceeds from note payable	-	899,286
Payments on note payable	(75,409)	(36,529)
<b>Net cash from financing activities</b>	<b>(471,962)</b>	<b>738,012</b>
<b>Change in cash and cash equivalents</b>	324,474	136,952
<b>Cash and cash equivalents, beginning of year</b>	600,201	463,249
<b>Cash and cash equivalents, end of year</b>	<b>\$ 924,675</b>	<b>\$ 600,201</b>
<b>Supplemental Disclosures for Cash Flow Information</b>		
Cash interest paid	\$ 34,115	\$ 34,609

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

## SPECIAL OLYMPICS ILLINOIS

### Statements of Functional Expenses

For the Year ended December 31, 2016

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 3,670,786	\$ 215,929	\$ 431,857	\$ 4,318,572
Employee benefits/payroll tax	856,119	50,360	100,720	1,007,199
Food and housing	822,953	-	-	822,953
Equipment and facility rental	712,984	92,728	224,598	1,030,310
Occupancy	406,466	40,647	60,970	508,083
Travel	286,729	31,470	40,745	358,944
Fundraising contract	-	-	299,116	299,116
Athlete expenses	169,348	-	-	169,348
Sports events equipment/supplies	128,170	-	-	128,170
Hospitality	91,636	45,818	271,541	408,995
Other professional fees	2,964,244	84,537	97,815	3,146,596
Awards and recognition	193,432	-	558,378	751,810
Cost of sales - souvenirs	112,364	-	-	112,364
Printing and publications	82,626	18,729	70,032	171,387
Accreditation fees	147,037	-	-	147,037
Supplies	26,991	29,990	188,556	245,537
Insurance	104,932	12,390	6,580	123,902
Technology	3,214	1,071	1,071	5,356
Staff development	28,822	14,411	51,740	94,973
Public relations	35,546	1,099	31,776	68,421
Audit and legal	13,543	13,543	-	27,086
Travel - board	16,720	11,146	-	27,866
Outreach initiatives	30,802	-	-	30,802
Interest	20,469	11,940	1,706	34,115
Donations	76,269	-	-	76,269
Bad debts	-	7,130	-	7,130
	<u>11,002,202</u>	<u>682,938</u>	<u>2,437,201</u>	<u>14,122,341</u>
Depreciation	196,301	36,807	12,269	245,377
Total expenses	<u>\$ 11,198,503</u>	<u>\$ 719,745</u>	<u>\$ 2,449,470</u>	<u>\$ 14,367,718</u>
Percentage of total	<u>77.94%</u>	<u>5.01%</u>	<u>17.05%</u>	<u>100.00%</u>

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

## SPECIAL OLYMPICS ILLINOIS

### Statements of Functional Expenses

For the Year ended December 31, 2015

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 3,501,733	\$ 205,984	\$ 411,969	\$ 4,119,686
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	198,757	932,139
Occupancy	407,822	40,782	61,174	509,778
Travel	305,512	33,532	43,589	382,633
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	259,791	388,125
Other professional fees	2,611,802	55,585	87,058	2,754,445
Awards and recognition	184,947	-	558,971	743,918
Cost of sales - souvenirs	202,953	-	-	202,953
Printing and publications	98,030	22,220	49,087	169,337
Accreditation fees	138,060	-	-	138,060
Supplies	25,410	28,946	191,901	246,257
Insurance	101,459	11,936	8,263	121,658
Technology	5,974	1,992	1,991	9,957
Staff development	24,659	12,330	55,426	92,415
Public relations	64,828	2,005	29,482	96,315
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 debt	-	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

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities. Special Olympics Illinois (Organization) is a nonprofit 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

Basis of Accounting – All items of revenue and expense are recorded on the accrual basis of accounting.

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.

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.

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.

Investments – Investments are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities. Investment income is reported as unrestricted income unless the use of the income is limited by donor restrictions. If a restriction is fulfilled in the same time period in which the investment income is received, the investment income is reported as unrestricted.

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)

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

Significant Accounting Policies (Continued)

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, 2016 and 2015, 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 the date of receipt.

Advertising Costs – Advertising costs paid by the Organization are expensed as incurred. Advertising expense for years ended December 31, 2016 and 2015, was \$31,776 and \$29,482, respectively.

Deferred Revenue – Sponsorships received in advance of the event are deferred and recognized in the period the event occurs.

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 statements of activities as net assets released from restriction. Restricted contributions, whose restrictions are met in the period of donation, are reported as unrestricted.

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.

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)

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.

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.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification had no effect on net assets. In 2016 the Organization reported fundraising expenses by their natural classification and reclassified the 2015 fundraising expenses by natural classification to conform with the current year.

## **2. FAIR VALUE MEASUREMENT**

Generally Accepted Accounting Principles (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.

### 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, 2016.

- Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.
- 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.

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

**2. FAIR VALUE MEASUREMENT (Continued)**

Assets measured at fair value on a recurring basis as of December 31, 2016 and December 31, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2016</u>			
Mutual funds	\$ 1,615,385	\$ -	\$ 1,615,385
Exchange traded funds	645,031	-	645,031
Corporate debt securities	-	419,352	419,352
	<u>\$ 2,260,416</u>	<u>\$ 419,352</u>	<u>\$ 2,679,768</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2015</u>			
Mutual funds	\$ 973,137	\$ -	\$ 973,137
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>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Interest income	\$ 113,456	\$ 3,110
Net realized losses on investments	(15,134)	(61,018)
Net unrealized gain on investments	23,566	60,986
Total return on investments	<u>\$ 121,888</u>	<u>\$ 3,078</u>

Investment fees incurred were \$9,255 and \$14,675 for the year ended December 31, 2016 and December 31, 2015, respectively.

**3. PROPERTY AND EQUIPMENT**

Property and equipment by major classification are as follows at December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 82,346	\$ 82,346
Computer equipment	123,238	128,880
Automobiles	153,787	169,955
Office equipment	456,164	497,977
Building	2,921,766	2,920,540
Land improvements	1,195,280	1,195,280
Land	132,124	132,124
Construction in progress	33,998	-
	<u>5,098,703</u>	<u>5,127,102</u>
Less accumulated depreciation	2,395,746	2,328,570
Net property and equipment	<u>\$ 2,702,957</u>	<u>\$ 2,798,532</u>



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

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**3. PROPERTY AND EQUIPMENT (Continued)**

Construction in Progress includes a digital sign purchased but not placed in service as of December 31, 2016.

**4. 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 \$3,226 and varying lengths running through 2020.

Future minimum lease payments are as follows:

2017	\$ 99,219
2018	55,477
2019	41,984
2020	<u>1,990</u>
Total	<u>\$ 198,670</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:

2017	\$ 232,174
2018	217,962
2019	179,984
2020	155,737
2021	50,070
2022	<u>51,300</u>
Total	<u>\$ 887,227</u>

The total rent expense for equipment and real estate under leases for years ended December 31, 2016 and 2015, was \$351,521 and \$348,755, respectively. The rent expenses for equipment and real estate is included in the statement of functional expenses within equipment and facility rental. 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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**5. 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.

**6. RELATED PARTY TRANSACTIONS**

In accordance with the accreditation agreement Special Olympics International, the National Office, 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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Support service fees remitted to the National Office	<u>\$ 161,602</u>	<u>\$ 152,222</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 554,279	\$ 554,279
Co-op projects/grants	306,273	217,037
Total	<u>\$ 860,552</u>	<u>\$ 771,316</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	<u>\$ 233,692</u>	<u>\$ 212,522</u>

In addition, 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.

**7. 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.

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

**7. IN-KIND CONTRIBUTIONS (Continued)**

The following are in-kind contributions received from all sources:

In-kind from Illinois State University:

	<u>2016</u>	<u>2015</u>
Employee benefits	\$ -	\$ 211,420

In-kind from other sources:

Special events – facility	54,393	24,834
Special events – publicity	26,976	21,891
Special events – supplies	32,550	33,342
Special events – hospitality	39,792	24,326
Special events – printing	2,978	2,699
Special events – awards	2,948	1,536
Special events – professional fees	19,456	2,765
Special events – travel	900	-
Special events – other	-	1,920
Misc fundraising expenses	5,560	4,802
MedFest activities	307,234	233,270
Hospitality/entertainment	32,834	36,653
Awards and recognition	29,769	18,756
Equipment and facility rental	355,032	290,827
Office rent/occupancy	14,316	14,288
Food and housing	136,245	122,057
Games and equipment supplies/uniforms	27,050	31,100
Public relations	8,000	44,596
Athlete coaching activities	2,700,895	2,416,308
Office supplies	1,607	2,039
Printing and publications	12,526	4,251
Other	-	1,425
Travel	71,767	120,729
Technology	125	1,264
Total in-kind from other sources	<u>3,882,953</u>	<u>3,455,678</u>
Total in-kind from all sources	<u>\$ 3,882,953</u>	<u>\$ 3,667,098</u>

In addition to the In-Kind contributions noted above, the Organization received \$59,711 and \$8,000 in in-kind property which has been capitalized during the year ended December 31, 2016 and December 31, 2015, respectively.

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

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**8. NATURE OF UNRESTRICTED NET ASSETS**

	<u>2016</u>	<u>2015</u>
Internally designated:		
Operating reserve	\$ 2,700,000	\$ 2,700,000
Undesignated	<u>2,775,329</u>	<u>2,749,180</u>
Total unrestricted net assets	<u>\$ 5,475,329</u>	<u>\$ 5,449,180</u>

**9. TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets at December 31, 2016 was \$40,702. Temporarily restricted net assets are related to a contribution given to the Organization to be used on a new sign and landscaping and on purchases for the Special Olympics 50<sup>th</sup> Anniversary occurring in 2018.

**10. 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. At December 31, 2016 and 2015 the bank balances of the deposits exceeded FDIC limits by approximately \$194,000 and \$31,000, respectively.

**11. NOTE PAYABLE**

The Organization's outstanding loan balance with First Midwest Bank at December 31 2016, and 2015 was \$787,348 and \$862,757 respectively. The note was signed on June 24, 2015 and has 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 by 605 East Willow Street, Normal, Illinois 61761.

Loan maturities for each of the four years following December 31, 2016, are as follows:

2017	\$ 79,132
2018	82,397
2019	85,797
2020	<u>540,022</u>
Total	<u>\$ 787,348</u>

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

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**12. 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% and matures on September 19, 2017. The Organization paid off the line of credit during 2016. The line of credit balance as of December 31, 2015, was \$396,553. The line of credit is secured by 605 East Willow Street, Normal, Illinois 61761.

**13. 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 \$57,461 and \$44,018 for the years ended December 31, 2016 and 2015, respectively.

**14. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through April 18, 2017, 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.