



**SPECIAL OLYMPICS ILLINOIS
NORMAL, ILLINOIS**

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

For the Years Ended December 31, 2017 and 2016



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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, 2017 and 2016, 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, 2017 and 2016, 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

May 7, 2018

FINANCIAL STATEMENTS

SPECIAL OLYMPICS ILLINOIS

Statements of Financial Position

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 774,935	\$ 924,675
Receivables	194,956	134,698
Receivables - Special Olympics International	179,923	233,692
Prepaid expenses	378,924	99,289
Other assets	10,388	10,363
Inventory	28,728	39,215
Investments	2,694,634	2,679,768
Property and equipment, net	2,763,614	2,702,957
Total assets	<u>\$ 7,026,102</u>	<u>\$ 6,824,657</u>
Liabilities		
Accounts payable	\$ 159,588	\$ 208,199
Accrued payroll	235,893	170,841
Deferred revenue	172,008	144,034
Funds held for others	35,212	1,051
Line of credit	190	-
Note payable	708,534	787,348
Total liabilities	<u>1,311,425</u>	<u>1,311,473</u>
Net Assets		
Unrestricted		
Board designated	2,700,000	2,700,000
Undesignated	3,008,424	2,772,482
Total unrestricted net assets	<u>5,708,424</u>	<u>5,472,482</u>
Temporarily restricted	<u>6,253</u>	<u>40,702</u>
Total net assets	<u>5,714,677</u>	<u>5,513,184</u>
Total Liabilities and Net Assets	<u>\$ 7,026,102</u>	<u>\$ 6,824,657</u>

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

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains (Losses) and Support:			
Direct marketing contributions	\$ 1,086,817	\$ -	\$ 1,086,817
Other contributions	9,018,696	6,253	9,024,949
In-kind support	4,562,620	-	4,562,620
Grants	400,625	-	400,625
Interest income	104,339	-	104,339
Realized and unrealized gain, net	276,407	-	276,407
Other revenue - sale of merchandise	161,745	-	161,745
Loss on disposal of property and equipment	(156)	-	(156)
	<u>15,611,093</u>	<u>6,253</u>	<u>15,617,346</u>
Net assets released from restrictions	40,702	(40,702)	-
Total Revenue, Gains (Losses) and Support	<u>15,651,795</u>	<u>(34,449)</u>	<u>15,617,346</u>
Expenses:			
Program services	12,315,194	-	12,315,194
Management and general	761,731	-	761,731
Fundraising	2,338,928	-	2,338,928
Total Expenses	<u>15,415,853</u>	<u>-</u>	<u>15,415,853</u>
Change in net assets	235,942	(34,449)	201,493
Net assets, beginning of year	<u>5,472,482</u>	<u>40,702</u>	<u>5,513,184</u>
Net assets, end of year	<u>\$ 5,708,424</u>	<u>\$ 6,253</u>	<u>\$ 5,714,677</u>

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

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains (Losses) and Support:			
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 property and equipment	(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>
Expenses:			
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>
Change in net assets	23,302	40,702	64,004
Net assets, beginning of year	<u>5,449,180</u>	<u>-</u>	<u>5,449,180</u>
Net assets, end of year	<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 Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 201,493	\$ 64,004
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	282,977	245,377
Non-cash contribution of property and equipment	(130,193)	(59,711)
Bad debt expense	8,869	7,130
Net realized (gains) losses on investments	(63,843)	15,134
Net unrealized gain on investments	(212,564)	(23,566)
Loss on disposal of property and equipment	156	8,859
Decrease (increase) in assets:		
Receivables	(69,127)	494,247
Receivables - Special Olympics International	53,769	(21,170)
Prepaid expenses	(279,635)	1,892
Other assets	(25)	61,318
Inventory	10,487	6,014
Increase (decrease) in liabilities:		
Accounts payable	(48,611)	60,037
Accrued payroll	65,052	156,353
Deferred revenue	27,974	34,972
Funds held for others	34,161	1,051
Net cash from operating activities	(119,060)	1,051,941
Cash flows from investing activities		
Purchase of property and equipment	(213,947)	(102,060)
Proceeds from the sale of property and equipment	350	3,110
Proceeds from the sale of securities	584,468	1,198,879
Purchase of securities	(249,301)	(1,242,032)
Dividends and interest reinvested	(73,626)	(113,402)
Net cash from investing activities	47,944	(255,505)
Cash flows from financing activities		
Proceeds from line of credit	250,000	200,000
Payments on line of credit	(249,810)	(596,553)
Payments on note payable	(78,814)	(75,409)
Net cash from financing activities	(78,624)	(471,962)
Change in cash and cash equivalents	(149,740)	324,474
Cash and cash equivalents, beginning of year	924,675	600,201
Cash and cash equivalents, end of year	\$ 774,935	\$ 924,675
Supplemental Disclosures for Cash Flow Information		
Cash interest paid	\$ 33,159	\$ 34,115

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

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,719,796	\$ 218,812	\$ 437,622	\$ 4,376,230
Employee benefits/payroll tax	935,459	77,038	88,043	1,100,540
Food and housing	847,317	-	-	847,317
Equipment and facility rental	819,606	106,905	261,324	1,187,835
Occupancy	506,359	50,636	75,954	632,949
Travel	329,862	37,110	45,356	412,328
Fundraising contract	53,543	-	214,171	267,714
Athlete expenses	265,092	-	-	265,092
Sports events equipment/supplies	123,050	-	-	123,050
Hospitality	162,839	9,579	306,520	478,938
Other professional fees	3,158,594	106,533	49,887	3,315,014
Awards and recognition	241,477	-	429,292	670,769
Cost of sales - souvenirs	99,301	-	-	99,301
Printing and publications	86,406	9,601	64,005	160,012
Accreditation fees	165,146	-	-	165,146
Supplies	28,790	22,146	170,525	221,461
Insurance	127,920	15,049	7,525	150,494
Technology	2,866	358	359	3,583
Staff development	68,114	40,868	27,246	136,228
Public relations	223,967	7,858	161,099	392,924
Audit and legal	20,323	10,943	-	31,266
Travel - board	13,489	4,496	-	17,985
Outreach initiatives	34,672	-	-	34,672
Interest	26,527	6,632	-	33,159
Bad debts	-	8,869	-	8,869
	<u>12,060,515</u>	<u>733,433</u>	<u>2,338,928</u>	<u>15,132,876</u>
Depreciation	254,679	28,298	-	282,977
Total expenses	<u>\$ 12,315,194</u>	<u>\$ 761,731</u>	<u>\$ 2,338,928</u>	<u>\$ 15,415,853</u>
Percentage of total	<u>79.89%</u>	<u>4.94%</u>	<u>15.17%</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, 2016

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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.

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.

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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

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.

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, 2017 and 2016, 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.

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

Advertising Costs – Advertising costs paid by the Organization are expensed as incurred. Advertising expense for years ended December 31, 2017 and 2016, was \$351,938 and \$31,776, respectively.

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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

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.

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.

Future Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, “Revenue from Contracts with Customers,” as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

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

Significant Accounting Policies (Continued)

Future Accounting Pronouncements (Continued) - In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020, and requires a modified retrospective approach to adoption. The Organization is currently assessing the impact of this new standard.

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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. FAIR VALUE MEASUREMENT (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 years ended December 31, 2017 and 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.

Assets measured at fair value on a recurring basis as of December 31, 2017 and December 31, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2017</u>			
Mutual funds	\$ 1,727,547	\$ -	\$ 1,727,547
Exchange traded funds	621,008	-	621,008
Corporate debt securities	-	346,079	346,079
	<u>\$ 2,348,555</u>	<u>\$ 346,079</u>	<u>\$ 2,694,634</u>
	<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>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Interest income	\$ 104,339	\$ 113,456
Net realized gain (loss) on investments	63,843	(15,134)
Net unrealized gain on investments	212,564	23,566
Total return on investments	<u>\$ 380,746</u>	<u>\$ 121,888</u>

Investment fees incurred were \$9,526 and \$9,255 for the years ended December 31, 2017 and December 31, 2016, respectively.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. PROPERTY AND EQUIPMENT

Property and equipment by major classification are as follows at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 82,346	\$ 82,346
Computer equipment	136,591	123,238
Automobiles	287,652	153,787
Office equipment	477,225	456,164
Building	2,922,790	2,921,766
Land improvements	1,268,789	1,195,280
Land	132,124	132,124
Construction in progress	<u>107,317</u>	<u>33,998</u>
	5,414,834	5,098,703
Less accumulated depreciation	<u>2,651,220</u>	<u>2,395,746</u>
Net property and equipment	<u>\$ 2,763,614</u>	<u>\$ 2,702,957</u>

Construction in progress includes an HVAC system and other assets purchased but not placed in service as of December 31, 2017. Construction in progress at December 31, 2016 included a digital sign that was purchased and placed into service during 2017.

4. OPERATING LEASES

Lease 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 \$3,321 and varying lengths running through 2021.

Future minimum lease payments are as follows:

2018	\$ 50,717
2019	45,955
2020	43,459
2021	<u>405</u>
Total	<u>\$ 140,536</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 \$201 to \$10,260.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. OPERATING LEASES (Continued)

Lease Obligations – Real Property (Continued)

Future minimum lease payments are as follows:

2018	\$	225,444
2019		178,625
2020		152,131
2021		112,432
2022		<u>51,300</u>
Total	\$	<u>719,932</u>

The total rent expense for equipment and real estate under leases for years ended December 31, 2017 and 2016, was \$291,560 and \$351,521, 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.

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. During 2017, the Organization paid Special Olympics International and Special Children's Charities for items related to the 50th anniversary. The Organization also has an agreement with the National Office pertaining to a marketing program.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of the transactions which occurred during the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Amounts remitted to National Office:		
Support service fees	\$ 197,151	\$ 161,602
50 th Anniversary	250,000	-
Total	<u>\$ 447,151</u>	<u>\$ 161,602</u>
Amounts remitted to Special Children's Charities:		
50 th Anniversary	\$ 10,000	\$ -
Total	<u>\$ 10,000</u>	<u>\$ -</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 604,668	\$ 554,279
Co-op projects/grants	363,189	306,273
Total	<u>\$ 967,857</u>	<u>\$ 860,552</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 174,923	\$ 233,692
Co-op projects/grants	5,000	-
Total	<u>\$ 179,923</u>	<u>\$ 233,692</u>

It is also 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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. IN-KIND CONTRIBUTIONS

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

	<u>2017</u>	<u>2016</u>
Special Events - awards	\$ 7,554	\$ 2,948
Special Events - facility	85,550	54,393
Special Events - hospitality	54,389	39,792
Special Events - photo	500	-
Special Events - printing	6,079	2,978
Special Events - professional fees	22,850	19,456
Special Events - publicity	326,200	26,976
Special Events - supplies	18,424	32,550
Special Events - travel	6,550	900
Misc fundraising expense	5,594	5,560
MedFest activities	284,253	307,234
Hospitality / entertainment	32,220	32,834
Awards and recognition	30,838	29,769
Equipment and facility rental	402,222	355,032
Office rent / occupancy	17,000	14,316
Food and housing	194,233	136,245
Games and equipment supplies / uniforms	46,783	27,050
Office supplies	36	1,607
Printing/photo and publications	910	12,526
Other professional fees	2,794,840	2,700,895
Travel	92,902	71,767
Public relations	-	8,000
Technology plan	2,500	125
	<u> </u>	<u> </u>
Total in-kind	<u>\$ 4,432,427</u>	<u>\$ 3,882,953</u>

In addition to the in-kind contributions noted above, the Organization received \$130,193 and \$59,711 in in-kind property which has been capitalized during the years ended December 31, 2017 and December 31, 2016, respectively.

8. NATURE OF UNRESTRICTED NET ASSETS

	<u>2017</u>	<u>2016</u>
Operating reserve – internally designated	\$ 2,700,000	\$ 2,700,000
Undesignated	3,008,424	2,772,482
Total unrestricted net assets	<u>\$ 5,708,424</u>	<u>\$ 5,472,482</u>

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at December 31, 2017 and 2016 were \$6,253 and \$40,702, respectively. Temporarily restricted net assets are related to contributions given to the Organization to support statewide Healthy Athletes screenings and for a new sign, landscaping and purchases for the Special Olympics 50th 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, 2017 and 2016 the bank balances of the deposits exceeded FDIC limits by approximately \$155,000 and \$194,000, respectively.

11. NOTE PAYABLE

The Organization's outstanding loan balance with First Midwest Bank at December 31 2017, and 2016 was \$708,534 and \$787,348 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. See Note 14.

Loan maturities for each of the three years following December 31, 2017, are as follows:

2018	\$ 82,397
2019	85,797
2020	<u>540,340</u>
Total	<u>\$ 708,534</u>

12. LINE OF CREDIT

On June 24, 2015, the Organization obtained a line of credit with First Mid-West Bank Champaign. The line of credit is for \$250,000 with a variable interest rate at the London Interbank Offered Rate (LIBOR) three-month rate (1.49% at December 31, 2017 and 2.60% at December 31, 2016) plus 2.45%, and matures on September 19, 2018. The line of credit balance as of December 31, 2017, and 2016 was \$190 and \$0 respectively. The line of credit is secured by 605 East Willow Street, Normal, Illinois 61761.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$59,503 and \$57,461 for the years ended December 31, 2017 and 2016, respectively.

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 7, 2018, which was the date that these financial statements were available for issuance.

In February 2018, the Organization refinanced the note with Bank of America for \$900,000 at an interest rate of 4.62%, with a maturity date of February 2, 2023. In February 2018, the Organization also refinanced the line of credit with Bank of America for \$500,000 at a variable interest rate at the LIBOR daily floating rate plus 2.5%, and a maturity date of February 2, 2019.