



**SPECIAL OLYMPICS ILLINOIS  
NORMAL, ILLINOIS**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2019 and 2018



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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, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019 and 2018, 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.

## **Emphasis of Matter Regarding a Change in Accounting Principle**

As discussed in Note 1 to the financial statements, Special Olympics Illinois adopted new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended by ASU 2015-14 and ASU 2018-08 Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. Our opinion was not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020, on our consideration of Special Olympics Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Special Olympics Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Special Olympics Illinois' internal control over financial reporting and compliance.

*Sikich LLP*

Springfield, Illinois

May 27, 2020

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Special Olympics Illinois  
Normal, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Special Olympics Illinois (Organization), which comprise the Statement of Financial Position as of December 31, 2019, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Springfield, Illinois

May 27, 2020

## **FINANCIAL STATEMENTS**

# SPECIAL OLYMPICS ILLINOIS

## Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,165,531	\$ 708,386
Receivables	160,385	866,304
Receivables - Special Olympics International	359,851	907,110
Investments	230,584	-
Prepaid expenses	174,563	141,768
Other assets	10,388	10,388
Inventory	31,590	27,420
Investments - designated	2,900,000	2,654,688
Property and equipment, net	2,593,937	2,700,905
Total assets	<u>\$ 9,626,829</u>	<u>\$ 8,016,969</u>
<b>Liabilities</b>		
Accounts payable	\$ 186,153	\$ 156,585
Accounts payable - Illinois S.O. Foundation	900,000	-
Accrued payroll	241,688	207,927
Deferred revenue	183,394	124,533
Funds held for others	90,073	96,482
Note payable	462,345	839,907
Total liabilities	<u>2,063,653</u>	<u>1,425,434</u>
<b>Net Assets</b>		
Without donor restriction - designated for operating reserves	2,900,000	2,900,000
Without donor restriction	4,663,176	3,657,009
Total without donor restriction	<u>7,563,176</u>	<u>6,557,009</u>
With donor restriction	<u>-</u>	<u>34,526</u>
Total net assets	<u>7,563,176</u>	<u>6,591,535</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,626,829</u>	<u>\$ 8,016,969</u>

See accompanying notes to financial statements.

# SPECIAL OLYMPICS ILLINOIS

## Statement of Activities

For the Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenues, Gains (Losses) and Support:</b>			
Direct marketing contributions	\$ 951,154	\$ -	\$ 951,154
Other contributions	9,725,431	-	9,725,431
Special events - Gala and First Look for Charity, net of costs of direct benefit to donors of \$216,239	1,189,489	-	1,189,489
In-kind support	4,952,877	-	4,952,877
Grants	2,007,895	-	2,007,895
Interest income	150,098	-	150,098
Realized and unrealized gain, net	405,267	-	405,267
Other revenue - sale of merchandise, net cost of goods sold \$137,706	44,774	-	44,774
Loss on disposal of property and equipment	(700)	-	(700)
	19,426,285	-	19,426,285
Net assets released from restrictions	34,526	(34,526)	-
Total Revenue, Gains (Losses) and Support	19,460,811	(34,526)	19,426,285
<b>Expenses:</b>			
Program services	15,115,698	-	15,115,698
Management and general	899,375	-	899,375
Fundraising	2,439,571	-	2,439,571
Total Expenses	18,454,644	-	18,454,644
<b>Change in net assets</b>	1,006,167	(34,526)	971,641
<b>Net assets, beginning of year</b>	6,557,009	34,526	6,591,535
<b>Net assets, end of year</b>	\$ 7,563,176	\$ -	\$ 7,563,176

See accompanying notes to financial statements

# SPECIAL OLYMPICS ILLINOIS

## Statement of Activities

For the Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenues, Gains (Losses) and Support:</b>			
Direct marketing contributions	\$ 1,064,025	\$ -	\$ 1,064,025
Other contributions	9,229,581	39,431	9,269,012
Special events - Gala and First Look for Charity, net of costs of direct benefit to donors of \$212,244	1,069,178	-	1,069,178
In-kind support	4,859,505	-	4,859,505
Grants	961,951	-	961,951
Interest income	139,480	-	139,480
Realized and unrealized loss, net	(269,476)	-	(269,476)
Other revenue - sale of merchandise, net cost of goods sold \$158,563	59,053	-	59,053
Gain on disposal of property and equipment	1,000	-	1,000
	17,114,297	39,431	17,153,728
Net assets released from restrictions	11,158	(11,158)	-
<b>Total Revenue, Gains (Losses) and Support</b>	<b>17,125,455</b>	<b>28,273</b>	<b>17,153,728</b>
<b>Expenses:</b>			
Program services	13,099,104	-	13,099,104
Management and general	715,501	-	715,501
Fundraising	2,462,265	-	2,462,265
<b>Total Expenses</b>	<b>16,276,870</b>	<b>-</b>	<b>16,276,870</b>
<b>Change in net assets</b>	848,585	28,273	876,858
<b>Net assets, beginning of year</b>	<b>5,708,424</b>	<b>6,253</b>	<b>5,714,677</b>
<b>Net assets, end of year</b>	<b>\$ 6,557,009</b>	<b>\$ 34,526</b>	<b>\$ 6,591,535</b>

See accompanying notes to financial statements.

## SPECIAL OLYMPICS ILLINOIS

### Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 971,641	\$ 876,858
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	329,572	301,314
Non-cash contribution of property and equipment	-	(11,203)
Net realized and unrealized gain (loss) investments	(405,267)	269,476
Loss (gain) on disposal of property and equipment	700	(1,000)
Decrease (increase) in assets:		
Receivables	705,919	(671,348)
Receivables - Special Olympics International	547,259	(727,187)
Prepaid expenses	(32,795)	237,156
Other assets	-	-
Inventory	(4,170)	1,308
Increase (decrease) in liabilities:		
Accounts payable	29,568	(3,003)
Accounts payable - Illinois S.O. Foundation	900,000	-
Accrued payroll	33,761	(27,966)
Deferred revenue	58,861	(47,475)
Funds held for others	(6,409)	61,270
<b>Net cash from operating activities</b>	<b>3,128,640</b>	<b>258,200</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(223,304)	(227,402)
Proceeds from the sale of property and equipment	-	1,000
Proceeds from the sale of securities	2,110,062	841,358
Purchase of securities	(2,151,596)	(985,176)
Dividends and interest reinvested	(29,095)	(85,712)
<b>Net cash from investing activities</b>	<b>(293,933)</b>	<b>(455,932)</b>
<b>Cash flows from financing activities</b>		
Payments on line of credit	-	(190)
Proceeds from note payable	-	900,000
Payments on note payable	(377,562)	(768,627)
<b>Net cash from financing activities</b>	<b>(377,562)</b>	<b>131,183</b>
<b>Change in cash and cash equivalents</b>	<b>2,457,145</b>	<b>(66,549)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>708,386</b>	<b>774,935</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,165,531</b>	<b>\$ 708,386</b>
<b>Supplemental Disclosures for Cash Flow Information</b>		
Cash interest paid	<b>\$ 38,022</b>	<b>\$ 37,595</b>

See accompanying notes to financial statements.

**SPECIAL OLYMPICS ILLINOIS**

Statement of Functional Expenses

For the Year Ended December 31, 2019

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Sales</b>	<b>Total</b>
Salaries	\$ 4,357,708	\$ 304,026	\$ 405,368	\$ -	\$ 5,067,102
Employee benefits/payroll tax	984,165	68,663	91,550	-	1,144,378
Food and housing	910,977	-	-	-	910,977
Equipment and facility rental	1,042,216	115,802	230,154	-	1,388,172
Occupancy	448,535	44,854	67,280	-	560,669
Travel	387,640	43,609	53,300	-	484,549
Fundraising contract	52,894	-	211,576	-	264,470
Athlete expenses	206,860	-	-	-	206,860
Sports events equipment/supplies	159,709	-	-	-	159,709
Hospitality	179,279	15,819	175,305	-	370,403
Other professional fees	3,732,102	80,621	181,749	-	3,994,472
Awards and recognition	283,390	-	425,085	-	708,475
Printing and publications	128,010	14,223	94,822	-	237,055
Accreditation fees	192,299	-	-	-	192,299
Supplies	30,484	23,450	180,562	-	234,496
Insurance	110,786	13,034	6,517	-	130,337
Technology	4,739	532	53	-	5,324
Staff development	144,579	86,747	57,831	-	289,157
Public relations	358,210	12,569	257,659	-	628,438
Audit and legal	-	35,625	-	-	35,625
Outreach initiatives/grants	1,074,083	-	-	-	1,074,083
Interest	30,418	6,844	760	-	38,022
	<u>14,819,083</u>	<u>866,418</u>	<u>2,439,571</u>	<u>-</u>	<u>18,125,072</u>
Depreciation	296,615	32,957	-	-	329,572
Total expenses	<u>15,115,698</u>	<u>899,375</u>	<u>2,439,571</u>	<u>-</u>	<u>18,454,644</u>
<b>Cost of sales</b>					
Cost of goods sold - souvenirs	-	-	-	137,706	137,706
Cost of direct benefit to donors, facility rental costs	-	-	-	59,350	59,350
hospitality costs	-	-	-	156,889	156,889
Total Functional Expenses	<u>\$ 15,115,698</u>	<u>\$ 899,375</u>	<u>\$ 2,439,571</u>	<u>\$ 353,945</u>	<u>\$ 18,808,589</u>
Percentage of total	<u>80.37%</u>	<u>4.78%</u>	<u>12.97%</u>	<u>1.88%</u>	<u>100.00%</u>

See accompanying notes to financial statements.

## SPECIAL OLYMPICS ILLINOIS

### Statement of Functional Expenses

For the Year Ended December 31, 2018

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Sales</b>	<b>Total</b>
Salaries	\$ 3,915,341	\$ 230,314	\$ 460,628	\$ -	\$ 4,606,283
Employee benefits/payroll tax	904,323	74,474	85,113	-	1,063,910
Food and housing	813,594	-	-	-	813,594
Equipment and facility rental	1,266,290	8,432	235,493	-	1,510,215
Occupancy	413,132	41,313	61,970	-	516,415
Travel	467,146	2,013	45,747	-	514,906
Fundraising contract	54,565	-	218,260	-	272,825
Athlete expenses	246,113	-	-	-	246,113
Sports events equipment/supplies	120,935	-	-	-	120,935
Hospitality	174,483	10,264	164,135	-	348,882
Other professional fees	3,342,649	152,476	234,696	-	3,729,821
Awards and recognition	262,115	-	465,982	-	728,097
Printing and publications	112,097	12,455	83,035	-	207,587
Accreditation fees	177,814	-	-	-	177,814
Supplies	28,032	21,563	166,039	-	215,634
Insurance	110,296	12,976	6,488	-	129,760
Technology	1,851	232	232	-	2,315
Staff development	76,139	45,683	30,455	-	152,277
Public relations	283,600	9,951	203,992	-	497,543
Audit and legal	-	55,564	-	-	55,564
Travel - board	421	141	-	-	562
Outreach initiatives/grants	26,909	-	-	-	26,909
Interest	30,076	7,519	-	-	37,595
	<u>12,827,921</u>	<u>685,370</u>	<u>2,462,265</u>	<u>-</u>	<u>15,975,556</u>
Depreciation	271,183	30,131	-	-	301,314
Total expenses before cost of sales	<u>13,099,104</u>	<u>715,501</u>	<u>2,462,265</u>	<u>-</u>	<u>16,276,870</u>
<b>Cost of sales</b>					
Cost of goods sold - souvenirs	-	-	-	158,563	158,563
Cost of direct benefit to donors, facility rental costs	-	-	-	47,942	47,942
hospitality costs	-	-	-	164,302	164,302
Total Functional Expenses	<u>\$ 13,099,104</u>	<u>\$ 715,501</u>	<u>\$ 2,462,265</u>	<u>\$ 370,807</u>	<u>\$ 16,647,677</u>
Percentage of total	<u>78.68%</u>	<u>4.30%</u>	<u>14.79%</u>	<u>2.23%</u>	<u>100.00%</u>

See accompanying notes to financial statements.

# SPECIAL OLYMPICS ILLINOIS

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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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.

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 two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets presently available for use by the Organization at the discretion of the board.

Net Assets With Donor Restriction – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

These resources originate from donations and grants. See Note 8. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction.

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.

**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)

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. All receivables as of December 31, 2019 and 2018 are due in less than one year.

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 net of external and direct internal expenses and is classified as income without donor restrictions 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 net assets without donor restriction.

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, 2019 and 2018, 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, 2019 and 2018, was \$78,659 and \$360,555, respectively.

**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)

Revenue Recognition – The Organization recognizes contribution income when cash, other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At December 31, 2019 and 2018 the Organization had no conditional promises to give. Contribution revenue is recorded as either with or without donor restrictions.

A portion of the Organization’s revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. As of December 31, 2019 and 2018 the Organization did not receive any grant funds in advance of the incurrence of allowable qualifying expenses.

The Organization recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Organization records the following exchange transaction revenue in its statements of activities for the years ended December 31, 2019 and 2018: *Other revenue – sale of merchandise and special event revenue*. The Organization sells various merchandise such as t-shirts that contain the Organization’s logo at program and fundraising events. The performance obligation is the purchase of the merchandise by the buyer and sales revenue is recognized at the point in time when the sale is completed.

The Organization records special events revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received at the point in time which is when the event takes place. Any amounts received prior to the event date are recorded as deferred revenue. Revenue is recognized at the point in time when the event occurs.

*Disaggregation of Revenue from Contracts with Customers*

	<u>2019</u>	<u>2018</u>
Special event revenue	\$ 138,577	\$ 124,823
Sale of merchandise	182,480	217,616
Total	<u>\$ 321,057</u>	<u>\$ 342,439</u>

**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)

Revenue recognition (Continued)

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.

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. Expenses not directly charged to a function are allocated based on estimates of time and effort. Expenses allocated based on estimates of time and effort include salaries and employee benefits/payroll taxes, equipment and facility rental, occupancy, travel, professional fees, staff development and public relations.

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.

New Accounting Pronouncements – May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all Generally Accepted Accounting Principles 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. The Organization has implemented ASU No. 2014-09 and its related amendments and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, with no effect on net assets.

**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)

New Accounting Pronouncements (Continued)

In August 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 provides guidance to help distinguish if grants and contracts with resource providers are exchange transactions or contributions. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU has been applied retrospectively to all periods presented, with no effect on net assets.

Future Accounting Pronouncements – In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, 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 No. 2016-02 as amended by ASU No. 2019-10 is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods.

## **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 years ended December 31, 2019 and 2018.

- 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.
- Equity stocks: 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, 2019 and December 31, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2019</u>			
Mutual funds	\$ 1,464,927	\$ -	\$ 1,464,927
Exchange traded funds	764,107	-	764,107
Corporate debt securities	-	901,550	901,550
	<u>\$ 2,229,034</u>	<u>\$ 901,550</u>	<u>\$ 3,130,584</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2018</u>			
Mutual funds	\$ 1,369,230	\$ -	\$ 1,369,230
Exchange traded funds	572,226	-	572,226
Equity stocks	7,077	-	7,077
Corporate debt securities	-	706,155	706,155
	<u>\$ 1,948,533</u>	<u>\$ 706,155</u>	<u>\$ 2,654,688</u>

**3. CONCENTRATION OF RECEIVABLES**

The Organization has total receivable balances as of December 31, 2019 and 2018 in the amount of \$520,236 and \$1,751,065, respectively. A significant amount of the 2018 receivables were due from the Organization's Partners (Special Olympics International and Special Children's Charities) in relation to the 50<sup>th</sup> Anniversary which occurred in July of 2018. See Note 6.

At December 31, 2018, \$500,000 was due from a grant from the Illinois Secretary of State. The total amount of the grant is \$2,000,000 with a term period of October 1, 2018 to September 30, 2019. As of December 31, 2018, \$1,500,000 of this grant was conditional upon incurring allowable expenditures under the grant.

The amounts listed below cover approximately 67% and 78% of the total receivable balance as of December 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
50 <sup>th</sup> Anniversary Profits – Due from Partners	\$ 170,250	\$ 510,750
IDMP – Due from Special Olympics International	175,226	262,657
Invoices paid by the Organization to be reimbursed by the National Office	3,516	122,703
Illinois Secretary of State Grant	-	500,000
Total	<u>\$ 348,992</u>	<u>\$ 1,396,110</u>

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

**4. PROPERTY AND EQUIPMENT**

Property and equipment by major classification are as follows at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 71,830	\$ 82,346
Computer equipment	233,537	216,747
Automobiles	320,847	308,169
Office equipment	364,225	542,582
Building	3,095,366	3,091,479
Land improvements	1,087,773	1,268,789
Land	132,124	132,124
	<u>5,305,702</u>	<u>5,642,236</u>
Less accumulated depreciation	2,711,765	2,941,331
Net property and equipment	<u>\$ 2,593,937</u>	<u>\$ 2,700,905</u>

**5. 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 \$3,372 and varying lengths running through 2021.

Future minimum lease payments are as follows:

2020	\$ 7,867
2021	<u>765</u>
Total	<u>\$ 8,632</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 2025. The monthly payments range from \$201 to \$14,744.

Future minimum lease payments are as follows:

2020	410,834
2021	351,394
2022	248,904
2023	187,779
2024	191,174
Thereafter	<u>179,894</u>
Total	<u>\$ 1,569,979</u>

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

**5. OPERATING LEASES (Continued)**

The total rent expense for equipment and real estate under leases for the years ended December 31, 2019 and 2018, was \$310,677 and \$288,196, 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.

**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 fiscal year 2018, there was a MOA between Special Olympics Illinois, the National Office and Special Children’s Charities for the 50<sup>th</sup> Anniversary held in Chicago, Illinois in July 2018. There were several payments paid by Special Olympics Illinois on behalf of the National Office for which reimbursement is expected. In addition, Special Olympics Illinois was also reimbursed by the National Office for direct costs incurred as part of running the event. Profits from the 50<sup>th</sup> Anniversary were split equally between Special Olympics Illinois, the National Office, and Special Children’s Charities. 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 ended December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Amounts remitted to National Office:		
Support service fees	\$ 222,029	\$ 201,764
50 <sup>th</sup> Anniversary	-	358,016
Total	<u>\$ 222,029</u>	<u>\$ 559,780</u>
Amounts remitted to Special Children’s Charities:		
50 <sup>th</sup> Anniversary	\$ -	\$ 3,942
Total	<u>\$ -</u>	<u>\$ 3,942</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 554,279	\$ 554,279
Co-op projects/grants	405,666	375,421
50 <sup>th</sup> Anniversary	454,828	138,018
Total	<u>\$ 1,414,773</u>	<u>\$ 1,067,718</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 175,226	\$ 262,657
Co-op projects/grants	6,000	11,000
50 <sup>th</sup> Anniversary	178,625	633,453
Total	<u>\$ 359,851</u>	<u>\$ 907,110</u>

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

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**6. RELATED PARTY TRANSACTIONS (Continued)**

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.

In addition, the Organization has accounts payable of \$900,000 for a grant commitment due to Illinois S.O. Foundation as of December 31, 2019. There were no amounts owed to the Illinois S.O. Foundation as of December 31, 2018. The Organization and the Illinois S.O. Foundation are related through a non-controlling portion of common board members.

**7. IN-KIND CONTRIBUTIONS**

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

	<b>2019</b>	<b>2018</b>
Special Events - awards	\$ 2,907	\$ 9,395
Special Events - facility	59,620	50,785
Special Events - hospitality	32,539	57,492
Special Events - printing	1,925	1,725
Special Events - professional fees	21,179	36,099
Special Events - publicity	3,300	315,781
Special Events - supplies	13,215	14,023
Special Events - Credit Card Fees	5,354	15,695
MedFest activities	294,397	239,182
Hospitality / entertainment	39,944	44,108
Awards and recognition	1,886	2,468
Equipment and facility rental	628,089	809,481
Office rent / occupancy	30,992	45,230
Legal	-	12,985
Food and housing	99,533	89,616
Games and equipment supplies / uniforms	71,742	11,480
Office supplies	153	367
Printing/photo and publications	200	24,670
Other professional fees	3,107,008	2,984,287
Staff Development	6,025	-
Travel	101,469	83,137
Public relations	431,400	286
	<hr/>	<hr/>
Total in-kind	<u>\$ 4,952,877</u>	<u>\$ 4,848,290</u>

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

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

In addition to the in-kind contributions noted above, the Organization received \$11,215 in in-kind property which was capitalized during the year ended December 31, 2018. There was no in-kind contributions of property for the year ended December 31, 2019.

**8. NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction at December 31, 2018 was \$34,526. Net assets with donor restriction were related to contributions given to the Organization to support statewide Healthy Athletes programs. The Organization had no net assets with donor restrictions at December 31, 2019.

**9. BOARD DESIGNATED ENDOWMENT FUNDS**

The Organization has established a board designated Endowment Fund for the purpose of maintaining operating reserves for the Organization. The board designated Endowment Fund invests in mutual funds, marketable equity securities and corporate bonds with the objective of obtaining the maximum total return and providing current income while assuming a prudent degree of risk.

The Organization has adopted investment policies for its board designated Endowment Fund. The primary investment objective of the accounts is to seek growth of principal while providing investment income that will allow for the cash flow shortfall and capital fund growth. The investment approach shall be disciplined and consistent over time. Allocations between asset classes shall be modified when such actions are expected to produce incremental return, to reduce risk or both. The account initially will be invested in a combination of mutual funds, investment-grade fixed-income instruments, and equity investments with the number of individual common stock holdings ranging from 50 to 65 companies. A long-term view is taken when making investment decisions and evaluation the portfolio's aggregate rate of return.

The Organization's policy is only to appropriate for distribution each year if spending is needed from this reserve to fund operations. As of December 31, 2019 and 2018 no amounts were appropriated for spending in operations.

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

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**9. BOARD DESIGNATED ENDOWMENT FUNDS (Continued)**

Transactions related to the board designated Endowment Fund for the years ended December 31, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Change in board designated Endowment Funds		
Investment income, net	\$ <u>          -</u>	\$ <u>          -</u>
Change in board designated Endowment Fund net assets	-	-
Net board designated endowment assets – beginning of year	<u>2,900,000</u>	<u>2,900,000</u>
Net board designated endowment assets – end of year	<u>\$ 2,900,000</u>	<u>\$ 2,900,000</u>

The Board Designated Endowment Fund is classified as Net Assets Without Donor Restriction on the Statements of Financial Position.

**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, 2019 and 2018, the bank balances of the deposits exceeded FDIC limits by approximately \$2,977,453 and \$85,000, respectively.

**11. NOTE PAYABLE**

The Organization's outstanding loan balance at December 31, 2019 and 2018 was \$462,345 and \$839,907 respectively.

In February 2018, the Organization established a note with Bank of America for \$900,000 at an interest rate of 4.62%. The note has a maturity date of February 2, 2023 and is payable in 59 regular payments of \$9,407, and one irregular last payment estimated to be \$509,223. The note is secured by all equipment and fixtures, inventory, accounts receivable and real property at 605 East Willow Street, Normal, Illinois 61761. In FY19 the Organization made an additional principal only payment of \$300,000 reducing the final estimated payment to \$159,384.

Loan maturities for each of the five years following December 31, 2019, are as follows:

2020	\$ 93,528
2021	97,941
2022	102,563
2023	<u>168,313</u>
Total	<u>\$ 462,345</u>

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

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**11. NOTE PAYABLE (Continued)**

The Organization also entered into a promissory note on May 1, 2020 under the Paycheck Protection Program of the federal CARES Act. See more information in Note 16.

**12. LINE OF CREDIT**

In February 2018, the Organization financed a 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. The line of credit was renewed with a maturity date of February 2, 2020. The line of credit was renewed on March 27, 2020 with a maturity date of July 31, 2021 and an interest rate at the greater of the LIBOR Rate of the Index Floor, plus 2.5 percentage points. The Organization did not have a balance on the line of credit as of December 31, 2019, and 2018. 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 \$68,679 and \$66,111 for the years ended December 31, 2019 and 2018, respectively.

**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's assets as of December 31, 2019 and 2018 available for general use within one year of the Statement of Financial Position date.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,165,531	\$ 708,386
Receivables	508,346	866,304
Receivables - Special Olympics International	11,890	907,110
Investments	<u>3,130,584</u>	<u>2,654,688</u>
Total financial assets available within one year	6,816,351	5,136,488
Internal Designations:		
Designated for operating reserves	<u>(2,900,000)</u>	<u>(2,900,000)</u>
Receivables designated as note payable collateral	(462,345)	(839,907)
Cash held for others	(90,073)	(96,482)
Net assets with donor restriction	<u>-</u>	<u>(34,526)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 3,363,933</u>	<u>\$ 1,265,573</u>

**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's cash flows have variations during the year attributable to timing of events held, funding received from the State, and reimbursements from the National Office. To manage liquidity, the Organization structures its financial assets to be available as general expenses, liabilities and other obligations come due.

**15. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 27, 2020, which was the date that these financial statements were available for issuance. See Note 16.

**16. RISK AND UNCERTAINTIES**

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, Organization programs and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization applied for and was approved on May 1, 2020 for a loan under the Paycheck Protection Program of the recently enacted CARES Act. The Paycheck Protection Program is a low-interest Small Business Administration (SBA) loan and generally covers two and a half months of payroll costs and may be forgiven entirely if the borrower limits salary reductions to no more than 25% and maintains staffing levels for eight weeks after getting the loan. The Organization was approved for a loan under this program in the amount of \$1,112,803 with an interest rate of 1% and a maturity date of May 1, 2022. As of the report date, loan forgiveness requirements had not been met, however management anticipates meeting the requirements of forgiveness within the eligible timeframe and under the requirements of the Program. No adjustments have been made to these financial statements as a result of this uncertainty.