



**SPECIAL OLYMPICS ILLINOIS
NORMAL, ILLINOIS**

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

For the Years Ended December 31, 2018 and 2017



SIKICH.COM

SPECIAL OLYMPICS ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report.....	1-2
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 <i>Government Auditing Standards</i>	3-4
FINANCIAL STATEMENTS	
Statements of Financial Position.....	5
Statements of Activities	6-7
Statements of Cash Flows	8
Statements of Functional Expenses.....	9-10
Notes to Financial Statements.....	11-24

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

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, 2018 and 2017, 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, 2018 and 2017, 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) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. 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 21, 2019, 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 21, 2019

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

**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, 2018, 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 21, 2019.

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 21, 2019

FINANCIAL STATEMENTS

SPECIAL OLYMPICS ILLINOIS

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 708,386	\$ 774,935
Receivables	866,304	194,956
Receivables - Special Olympics International	907,110	179,923
Prepaid expenses	141,768	378,924
Other assets	10,388	10,388
Inventory	27,420	28,728
Investments	2,654,688	2,694,634
Property and equipment, net	2,700,905	2,763,614
Total assets	<u>\$ 8,016,969</u>	<u>\$ 7,026,102</u>
Liabilities		
Accounts payable	\$ 156,585	\$ 159,588
Accrued payroll	207,927	235,893
Deferred revenue	124,533	172,008
Funds held for others	96,482	35,212
Line of credit	-	190
Note payable	839,907	708,534
Total liabilities	<u>1,425,434</u>	<u>1,311,425</u>
Net Assets		
Without donor restriction - designated for operating reserves	2,900,000	2,700,000
Without donor restriction	3,657,009	3,008,424
Total without donor restriction	<u>6,557,009</u>	<u>5,708,424</u>
With donor restriction	<u>34,526</u>	<u>6,253</u>
Total net assets	<u>6,591,535</u>	<u>5,714,677</u>
Total Liabilities and Net Assets	<u>\$ 8,016,969</u>	<u>\$ 7,026,102</u>

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
Revenues, Gains (Losses) and Support:			
Direct marketing contributions	\$ 1,064,025	\$ -	\$ 1,064,025
Other contributions	10,511,003	39,431	10,550,434
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
	<u>17,326,541</u>	<u>39,431</u>	<u>17,365,972</u>
Net assets released from restrictions	11,158	(11,158)	-
Total Revenue, Gains (Losses) and Support	<u>17,337,699</u>	<u>28,273</u>	<u>17,365,972</u>
Expenses:			
Program services	13,294,977	-	13,294,977
Management and general	669,650	-	669,650
Fundraising	2,524,487	-	2,524,487
Total Expenses	<u>16,489,114</u>	<u>-</u>	<u>16,489,114</u>
Change in net assets	848,585	28,273	876,858
Net assets, beginning of year	<u>5,708,424</u>	<u>6,253</u>	<u>5,714,677</u>
Net assets, end of year	<u>\$ 6,557,009</u>	<u>\$ 34,526</u>	<u>\$ 6,591,535</u>

See accompanying notes to financial statements

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

For the Year Ended December 31, 2017

	Without Donor	With Donor Restriction	Total
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, net cost of goods sold \$99,301	62,444	-	62,444
Loss on disposal of property and equipment	(156)	-	(156)
	15,511,792	6,253	15,518,045
Net assets released from restrictions	40,702	(40,702)	-
Total Revenue, Gains (Losses) and Support	15,552,494	(34,449)	15,518,045
Expenses:			
Program services	12,215,893	-	12,215,893
Management and general	761,731	-	761,731
Fundraising	2,338,928	-	2,338,928
Total Expenses	15,316,552	-	15,316,552
Change in net assets	235,942	(34,449)	201,493
Net assets, beginning of year	5,472,482	40,702	5,513,184
Net assets, end of year	\$ 5,708,424	\$ 6,253	\$ 5,714,677

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 876,858	\$ 201,493
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	301,314	282,977
Non-cash contribution of property and equipment	(11,203)	(130,193)
Bad debt expense	-	8,869
Net realized gain investments	(396,180)	(63,843)
Net unrealized loss (gain) on investments	665,656	(212,564)
(Gain) loss on disposal of property and equipment	(1,000)	156
Decrease (increase) in assets:		
Receivables	(671,348)	(69,127)
Receivables - Special Olympics International	(727,187)	53,769
Prepaid expenses	237,156	(279,635)
Other assets	-	(25)
Inventory	1,308	10,487
Increase (decrease) in liabilities:		
Accounts payable	(3,003)	(48,611)
Accrued payroll	(27,966)	65,052
Deferred revenue	(47,475)	27,974
Funds held for others	61,270	34,161
Net cash from operating activities	<u>258,200</u>	<u>(119,060)</u>
Cash flows from investing activities		
Purchase of property and equipment	(227,402)	(213,947)
Proceeds from the sale of property and equipment	1,000	350
Proceeds from the sale of securities	841,358	584,468
Purchase of securities	(985,176)	(249,301)
Dividends and interest reinvested	(85,712)	(73,626)
Net cash from investing activities	<u>(455,932)</u>	<u>47,944</u>
Cash flows from financing activities		
Proceeds from line of credit	-	250,000
Payments on line of credit	(190)	(249,810)
Proceeds from note payable	900,000	-
Payments on note payable	(768,627)	(78,814)
Net cash from financing activities	<u>131,183</u>	<u>(78,624)</u>
Change in cash and cash equivalents	(66,549)	(149,740)
Cash and cash equivalents, beginning of year	<u>774,935</u>	<u>924,675</u>
Cash and cash equivalents, end of year	<u>\$ 708,386</u>	<u>\$ 774,935</u>
Supplemental Disclosures for Cash Flow Information		
Cash interest paid	<u>\$ 37,595</u>	<u>\$ 33,159</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Cost of Sales	Total
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	283,435	-	1,558,157
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	328,437	-	513,184
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	443,356	217	53,970	-	497,543
Audit and legal	36,117	19,447	-	-	55,564
Travel - board	421	141	-	-	562
Outreach initiatives	26,909	-	-	-	26,909
Interest	30,076	7,519	-	-	37,595
	<u>13,023,794</u>	<u>639,519</u>	<u>2,524,487</u>	-	<u>16,187,800</u>
Depreciation	271,183	30,131	-	-	301,314
Total expenses	<u>13,294,977</u>	<u>669,650</u>	<u>2,524,487</u>	-	<u>16,489,114</u>
Cost of sales					
Cost of goods sold - souvenirs	-	-	-	158,563	158,563
Total Functional Expenses	<u>\$ 13,294,977</u>	<u>\$ 669,650</u>	<u>\$ 2,524,487</u>	<u>\$ 158,563</u>	<u>\$ 16,647,677</u>
Percentage of total	<u>79.87%</u>	<u>4.02%</u>	<u>15.16%</u>	<u>0.95%</u>	<u>100.00%</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Cost of Sales	Total
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
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>11,961,214</u>	<u>733,433</u>	<u>2,338,928</u>	-	<u>15,033,575</u>
Depreciation	254,679	28,298	-	-	282,977
Total expenses before cost of sales	<u>12,215,893</u>	<u>761,731</u>	<u>2,338,928</u>	-	<u>15,316,552</u>
Cost of sales					
Cost of goods sold - souvenirs	-	-	-	99,301	99,301
Total Functional Expenses	<u>\$ 12,215,893</u>	<u>\$ 761,731</u>	<u>\$ 2,338,928</u>	<u>\$ 99,301</u>	<u>\$ 15,415,853</u>
Percentage of total	<u>79.25%</u>	<u>4.94%</u>	<u>15.17%</u>	<u>0.64%</u>	<u>100.00%</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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 9. 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)

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.

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, 2018 and 2017, 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, 2018 and 2017, was \$360,555 and \$351,938, respectively.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

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, net assets with donor restriction are reclassified to net assets without donor restriction 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 net assets without donor restriction.

Grant revenue is recorded as exchange transactions whereby grant revenue is recognized when the related expenses are incurred to satisfy grant requirements.

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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment income net of external and direct internal investment expenses, (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted ASU 2016-14, and has applied the changes retrospectively to all periods presented except for the disclosure around liquidity and availability of resources. This disclosure has been presented for 2018 only, as allowed by ASU 2016-14.

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.

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 No. 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

Future Accounting Pronouncements (Continued)

ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standards 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 net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two optional transition methods.

In August 2018, the Financial Accounting Standards Board issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 provides guidance to help distinguish if grants and contracts with resource providers are exchange transactions or contributions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. 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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. FAIR VALUE MEASUREMENT (Continued)

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, 2018 and 2017.

- 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.

Assets measured at fair value on a recurring basis as of December 31, 2018 and December 31, 2017 are as follows:

	Level 1	Level 2	Total
<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>
	Level 1	Level 2	Total
<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>

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. FAIR VALUE MEASUREMENT (Continued)

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2018 and 2017.

	2018	2017
	<u> </u>	<u> </u>
Interest income	\$ 139,480	\$ 104,339
Net realized gain on investments	396,180	63,843
Net unrealized (loss) gain on investments	(665,656)	212,564
Total return on investments	<u>\$ (129,996)</u>	<u>\$ 380,746</u>

Investment fees incurred were \$12,344 and \$9,526 for the years ended December 31, 2018 and December 31, 2017, respectively.

3. CONCENTRATION OF RECEIVABLES

The Organization has a significant total receivable balance as of December 31, 2018 in the amount of \$1,751,065. A significant amount of the receivables are due from their Partners (Special Olympics International and Special Children’s Charities) in relation to the 50th Anniversary held in Chicago, Illinois in July of 2018. See Note 7.

Another significant portion of the receivable balance is due from the Secretary of State Grant that was received in fiscal year 2018. The total amount of the grant is \$2,000,000 with a term period of October 1, 2018 to September 30, 2019. The Organization has not received any funding related to the grant as of December 31, 2018, therefore \$500,000 has been accrued related to fiscal year 2018. The amounts listed below cover 78% of the total receivable balance as of December 31, 2018.

50 th Anniversary Profits - Due from Partners	\$ 510,750
IDMP – Due from Special Olympics International	262,657
Invoices paid by the Organization to be reimbursed by the National Office	122,703
Illinois Secretary of State Grant	<u>500,000</u>
Total	<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, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 82,346	\$ 82,346
Computer equipment	216,747	136,591
Automobiles	308,169	287,652
Office equipment	542,582	477,225
Building	3,091,479	2,922,790
Land improvements	1,268,789	1,268,789
Land	132,124	132,124
Construction in progress	<u>-</u>	<u>107,317</u>
	5,642,236	5,414,834
Less accumulated depreciation	<u>2,941,331</u>	<u>2,651,220</u>
Net property and equipment	<u>\$ 2,700,905</u>	<u>\$ 2,763,614</u>

Construction in progress at December 31, 2017 included an HVAC system and other assets purchased and placed into service during 2018.

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

Future minimum lease payments are as follows:

2019	\$ 46,621
2020	7,350
2021	<u>824</u>
Total	<u>\$ 54,795</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 \$10,287.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. OPERATING LEASES

Lease Obligations – Real Property (Continued)

Future minimum lease payments are as follows:

2019	\$ 227,546
2020	185,564
2021	144,168
2022	<u>51,435</u>
Total	<u>\$ 608,713</u>

The total rent expense for equipment and real estate under leases for the years ended December 31, 2018 and 2017, was \$288,196 and \$291,560, 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. FUNDRAISING REVENUE

The Organization has contracts with several direct marketing companies for which it receives substantial amounts of revenue. In the event that these contracts are not renewed, and no alternative methods of fundraising are obtained, a substantial reduction in revenue could occur.

7. 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 50th 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 50th 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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of the transactions which occurred during the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Amounts remitted to National Office:		
Support service fees	\$ 201,764	\$ 197,151
50 th Anniversary	358,016	250,000
Total	<u>\$ 559,780</u>	<u>\$ 447,151</u>
Amounts remitted to Special Children's Charities:		
50 th Anniversary	\$ 3,942	\$ 10,000
Total	<u>\$ 3,942</u>	<u>\$ 10,000</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 554,279	\$ 604,668
Co-op projects/grants	375,421	363,189
50 th Anniversary	138,018	-
Total	<u>\$ 1,067,718</u>	<u>\$ 967,857</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 262,657	\$ 174,923
Co-op projects/grants	11,000	5,000
50 th Anniversary	633,453	-
Total	<u>\$ 907,110</u>	<u>\$ 179,923</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)

8. IN-KIND CONTRIBUTIONS

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

	<u>2018</u>	<u>2017</u>
Special Events - awards	\$ 9,395	\$ 7,554
Special Events - facility	50,785	85,550
Special Events - hospitality	57,492	54,389
Special Events - photo	-	500
Special Events - printing	1,725	6,079
Special Events - professional fees	36,099	22,850
Special Events - publicity	315,781	326,200
Special Events - supplies	14,023	18,424
Special Events - travel	-	6,550
Special Events - credit card fees	15,695	5,594
MedFest activities	239,182	284,253
Hospitality / entertainment	44,108	32,220
Awards and recognition	2,467	30,838
Equipment and facility rental	809,481	402,222
Office rent / occupancy	45,229	17,000
Legal	12,985	-
Food and housing	89,616	194,233
Games and equipment supplies / uniforms	11,480	46,783
Office supplies	367	36
Printing/photo and publications	24,670	910
Other professional fees	2,984,287	2,794,840
Travel	83,137	92,902
Public relations	286	-
Technology plan	-	2,500
Total in-kind	<u>\$ 4,848,290</u>	<u>\$ 4,432,427</u>

In addition to the in-kind contributions noted above, the Organization received \$11,215 and \$130,193 in in-kind property which has been capitalized during the years ended December 31, 2018 and December 31, 2017, respectively.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction at December 31, 2018 and 2017 were \$34,526 and \$6,253, respectively. Net assets with donor restriction are related to contributions given to the Organization to support statewide Healthy Athletes programs.

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, 2018 and 2017, the bank balances of the deposits exceeded FDIC limits by approximately \$85,000 and \$155,000, respectively.

11. NOTE PAYABLE

The Organization's outstanding loan balance at December 31, 2018 and 2017 was \$839,907 and \$708,534 respectively.

The original note was with First Midwest Bank and signed on June 24, 2015, had an interest rate of 4.05% and was due June 24, 2020. In February 2018, the Organization refinanced the 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 605 East Willow Street, Normal, Illinois 61761.

Loan maturities for each of the five years following December 31, 2018, are as follows:

2019	\$	75,689
2020		79,261
2021		83,002
2022		86,919
2023		<u>515,036</u>
Total	\$	<u>839,907</u>

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. LINE OF CREDIT

On June 24, 2015, the Organization obtained a line of credit with First Midwest Bank. The line of credit was for \$250,000 with a variable interest rate at the London Interbank Offered Rate (LIBOR) three-month rate (1.49% at December 31, 2017) plus 2.45% which was to mature on September 19, 2018. In February 2018, the Organization 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. The line of credit has been renewed with a maturity date of February 2, 2020. The line of credit balance as of December 31, 2018, and 2017 was \$0 and \$190 respectively. 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 \$66,111 and \$59,503 for the years ended December 31, 2018 and 2017, respectively.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash and cash equivalents	\$ 708,386
Receivables	866,304
Receivables - Special Olympics International	907,110
Investments	<u>2,654,688</u>
Total financial assets available within one year	5,136,488
Internal Designations:	
Designated for operating reserves	<u>(2,900,000)</u>
Net assets with donor restriction	<u>(34,526)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 2,201,962</u>

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 21, 2019, which was the date that these financial statements were available for issuance.