



**SPECIAL OLYMPICS ILLINOIS
NORMAL, ILLINOIS**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2022 and 2021



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SPECIAL OLYMPICS ILLINOIS
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Independent Auditor's Report

Board of Directors
Special Olympics Illinois
Normal, Illinois

Opinion

We have audited the accompanying financial statements of Special Olympics Illinois (Organization) which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the related Statements of Activities, Cash Flows and Functional Expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 842 *Leases*, effective January 1, 2022. Topic 842 requires most prominently, the recognition of right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position, as well as related disclosures. Our opinion is not modified with respect to this matter.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Special Olympics Illinois and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Illinois's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Special Olympics Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Illinois' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2023, 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
July 17, 2023



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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, 2022, 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 July 17, 2023.

Report on 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) as a basis for designing 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 Special Olympics Illinois’ internal control. Accordingly, we do not express an opinion on the effectiveness of Special Olympics Illinois’ 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Special Olympics Illinois' financial statements are free from 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 financial statements. 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 Special Olympics Illinois' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Special Olympics Illinois' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois

July 17, 2023

FINANCIAL STATEMENTS

SPECIAL OLYMPICS ILLINOIS

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 5,715,595	\$ 4,435,815
Pledges receivable, net	65,025	65,983
Receivable - Special Olympics International	462,755	632,626
Grant receivable	1,115,058	-
Employee retention tax credit receivable	1,800,000	-
Investments	450,178	1,244,263
Prepaid expenses	199,938	275,389
Other assets	16,832	16,832
Inventory	66,583	66,583
Investments - designated	2,900,000	2,900,000
Property and equipment, net	2,259,143	2,225,847
Operating right-of-use asset, net	2,685,612	-
Total assets	\$ 17,736,719	\$ 11,863,338
Liabilities		
Accounts payable	\$ 435,923	\$ 189,057
Grants payable - Illinois S.O. Foundation	1,000,000	498,667
Accrued payroll	111,090	83,134
Deferred revenue	68,834	79,146
Funds held for others	81,900	26,192
Operating lease liability	2,774,498	-
Total liabilities	4,472,245	876,196
Net Assets		
Without donor restriction - designated for operating reserves	2,900,000	2,900,000
Without donor restriction	10,317,991	8,013,791
Total without donor restriction	13,217,991	10,913,791
With donor restriction	46,483	73,351
Total net assets	13,264,474	10,987,142
Total Liabilities and Net Assets	\$ 17,736,719	\$ 11,863,338

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains (Losses) and Support:			
Direct marketing contributions	\$ 1,017,033	\$ -	\$ 1,017,033
Other contributions	11,117,289	-	11,117,289
Special events - Gala and First Look for Charity, net of costs of direct benefit to donors of \$428,741	1,090,153	-	1,090,153
In-kind support	4,633,918	-	4,633,918
Grants	5,275,151	179,500	5,454,651
Interest income	186,594	-	186,594
Investment return, net	(870,938)	-	(870,938)
Other revenue - sale of merchandise, net cost of goods sold \$111,697	8,881	-	8,881
	22,458,081	179,500	22,637,581
Net assets released from restrictions	206,368	(206,368)	-
Total Revenue, Gains (Losses) and Support	22,664,449	(26,868)	22,637,581
Expenses:			
Program services	16,907,272	-	16,907,272
Management and general	966,055	-	966,055
Fundraising	2,486,922	-	2,486,922
Total Expenses	20,360,249	-	20,360,249
Change in net assets	2,304,200	(26,868)	2,277,332
Net assets, beginning of year	10,913,791	73,351	10,987,142
Net assets, end of year	\$ 13,217,991	\$ 46,483	\$ 13,264,474

See accompanying notes to financial statements

SPECIAL OLYMPICS ILLINOIS

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains (Losses) and Support:			
Direct marketing contributions	\$ 1,187,879	\$ -	\$ 1,187,879
Other contributions	8,503,935	55,000	8,558,935
Special events - Gala and First Look for Charity, net of costs of direct benefit to donors of \$276,706	579,587	-	579,587
In-kind support	2,523,597	-	2,523,597
Grants	1,776,980	56,195	1,833,175
Interest income	127,248	-	127,248
Investment return, net	446,521	-	446,521
Other revenue - sale of merchandise, net cost of goods sold \$13,939	8,563	-	8,563
Loss on disposal of property and equipment	50	-	50
	15,154,360	111,195	15,265,555
Net assets released from restrictions	78,421	(78,421)	-
Total Revenue, Gains (Losses) and Support	15,232,781	32,774	15,265,555
Expenses:			
Program services	10,814,673	-	10,814,673
Management and general	667,321	-	667,321
Fundraising	1,579,454	-	1,579,454
Total Expenses	13,061,448	-	13,061,448
Change in net assets	2,171,333	32,774	2,204,107
Net assets, beginning of year	8,742,458	40,577	8,783,035
Net assets, end of year	\$ 10,913,791	\$ 73,351	\$ 10,987,142

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 2,277,332	\$ 2,204,107
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	358,710	308,950
Non-cash contribution of investments	(29,701)	(15,130)
Non-cash operating lease expense	88,886	-
Net realized and unrealized loss (gain) investments	870,938	(446,521)
(Gain) loss on disposal of property and equipment	-	(50)
Decrease (increase) in assets:		
Receivables	958	19,497
Receivables - Special Olympics International	169,871	(124,323)
Employee retention tax credit receivable	(1,800,000)	-
Grant receivable	(1,115,058)	-
Prepaid expenses	75,451	(157,035)
Other assets	-	(6,444)
Increase (decrease) in liabilities:		
Accounts payable	246,866	89,455
Grants payable - Illinois S.O. Foundation	501,333	498,667
Accrued payroll	27,956	17,553
Deferred revenue	(10,312)	44,387
Funds held for others	55,708	(13,808)
Net cash from operating activities	1,718,938	2,419,305
Cash flows from investing activities		
Purchase of property and equipment	(392,006)	(224,468)
Proceeds from the sale of securities	648,180	1,561,444
Purchase of securities	(648,162)	(1,503,519)
Dividends and interest reinvested	(47,170)	(132,797)
Net cash from investing activities	(439,158)	(299,340)
Cash flows from financing activities		
Payments on note payable	-	(369,115)
Net cash from financing activities	-	(369,115)
Change in cash and cash equivalents	1,279,780	1,750,850
Cash and cash equivalents, beginning of year	4,435,815	2,684,965
Cash and cash equivalents, end of year	\$ 5,715,595	\$ 4,435,815
Supplemental Disclosures for Cash Flow Information		
Cash interest paid	\$ -	\$ 10,630
PPP loan proceeds	-	1,169,617
PPP loan forgiveness	-	1,169,617

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Cost of Sales	Total
Salaries	\$ 4,824,755	\$ 336,611	\$ 448,814	\$ -	\$ 5,610,180
Employee benefits/payroll tax	1,157,637	80,765	107,688	-	1,346,090
Food and housing	919,355	-	-	-	919,355
Equipment and facility rental	960,362	72,939	182,347	-	1,215,648
Occupancy	765,190	76,519	114,779	-	956,488
Travel	441,266	49,642	60,674	-	551,582
Fundraising contract	22,990	-	91,962	-	114,952
Athlete expenses	348,120	48,017	4,001	-	400,138
Sports events equipment/supplies	729,039	-	-	-	729,039
Hospitality	113,526	10,017	210,356	-	333,899
Other professional fees	3,649,564	38,940	206,845	-	3,895,349
Awards and recognition	384,851	-	577,276	-	962,127
Printing and publications	93,957	10,440	69,597	-	173,994
Accreditation fees	209,978	-	-	-	209,978
Supplies	40,344	31,034	238,964	-	310,342
Insurance	132,587	15,599	7,799	-	155,985
Technology	76,381	8,582	858	-	85,821
Staff development	166,903	100,142	66,760	-	333,805
Public relations	436,452	10,911	98,202	-	545,565
Audit and legal	-	40,026	-	-	40,026
Outreach initiatives/grants	1,111,176	-	-	-	1,111,176
	<u>16,584,433</u>	<u>930,184</u>	<u>2,486,922</u>	<u>-</u>	<u>20,001,539</u>
Depreciation	322,839	35,871	-	-	358,710
Total expenses	<u>16,907,272</u>	<u>966,055</u>	<u>2,486,922</u>	<u>-</u>	<u>20,360,249</u>
Cost of sales					
Cost of goods sold - souvenirs	-	-	-	111,697	111,697
Cost of direct benefit to donors, facility rental costs	-	-	-	158,028	158,028
hospitality costs	-	-	-	270,713	270,713
	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,438</u>	<u>540,438</u>
Total Functional Expenses	<u>\$16,907,272</u>	<u>\$ 966,055</u>	<u>\$2,486,922</u>	<u>\$540,438</u>	<u>\$20,900,687</u>
Percentage of total	<u>80.89%</u>	<u>4.62%</u>	<u>11.90%</u>	<u>2.59%</u>	<u>100.00%</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Cost of Sales	Total
Salaries	\$ 4,040,209	\$ 281,875	\$ 375,833	\$ -	\$ 4,697,917
Employee benefits/payroll tax	945,077	65,936	87,914	-	1,098,927
Food and housing	113,641	-	-	-	113,641
Equipment and facility rental	205,406	22,823	57,057	-	285,286
Occupancy	462,587	46,259	69,388	-	578,234
Travel	100,142	11,266	13,770	-	125,178
Fundraising contract	11,861	-	47,445	-	59,306
Athlete expenses	37,968	-	-	-	37,968
Sports events equipment/supplies	269,591	-	-	-	269,591
Hospitality	64,741	5,712	119,962	-	190,415
Other professional fees	1,828,430	33,437	166,627	-	2,028,494
Awards and recognition	181,491	-	272,236	-	453,727
Printing and publications	64,417	7,157	47,716	-	119,290
Accreditation fees	162,936	-	-	-	162,936
Supplies	21,932	16,870	129,902	-	168,704
Insurance	122,429	14,403	7,202	-	144,034
Technology	10,798	1,213	122	-	12,133
Staff development	129,798	77,879	51,919	-	259,596
Public relations	587,322	14,683	132,148	-	734,153
Audit and legal	-	35,000	-	-	35,000
Outreach initiatives/grants	1,167,338	-	-	-	1,167,338
Interest	8,504	1,913	213	-	10,630
	<u>10,536,618</u>	<u>636,426</u>	<u>1,579,454</u>	<u>-</u>	<u>12,752,498</u>
Depreciation	278,055	30,895	-	-	308,950
Total expenses before cost of sales	<u>10,814,673</u>	<u>667,321</u>	<u>1,579,454</u>	<u>-</u>	<u>13,061,448</u>
Cost of sales					
Cost of goods sold - souvenirs	-	-	-	13,939	13,939
Cost of direct benefit to donors, facility rental costs	-	-	-	88,482	88,482
hospitality costs	-	-	-	188,224	188,224
	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,645</u>	<u>290,645</u>
Total Functional Expenses	<u>\$10,814,673</u>	<u>\$ 667,321</u>	<u>\$1,579,454</u>	<u>\$290,645</u>	<u>\$13,352,093</u>
Percentage of total	<u>81.00%</u>	<u>5.00%</u>	<u>11.83%</u>	<u>2.17%</u>	<u>100.00%</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS ILLINOIS

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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 7. 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

Pledges Receivable – 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, 2022 and 2021 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, 2022 and 2021, 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 and special event income received in advance of the event are deferred and recognized in the period the event occurs.

Advertising and Publicity Costs – Advertising and publicity costs paid by the Organization are expensed as incurred. Advertising expense for years ended December 31, 2022 and 2021, was \$405,284 and \$626,084, respectively. Advertising and publicity costs are included in Public Relations expense on the Statements of Functional Expenses.

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 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, 2022 and 2021 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.

During the year ended December 31, 2021, the Organization received funding through the Paycheck Protection Program of the federal CARES Act. The Organization met the conditions of forgiveness during the years ended December 31, 2021 and has recognized the funds as grant revenue. During the year ended December 31, 2022, the Organization did not receive funding through the Paycheck Protection Program of the federal CARES Act.

The Organization was also eligible for the Employee Retention Credit (ERC) under the CARES Act. The Organization met the conditions under this program and filed Form 941’s for the quarters ended December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021. The Organization filed the amended form 941’s during 2022 and has recorded an Employee Retention Tax Credit receivable and included the refund in grant revenue on the Statement of Activities.

Grant revenue is classified as income without restrictions unless the use of the income is limited by donor restrictions.

As of December 31, 2022 and 2021 the Organization did not receive any grant funds in advance of the incurrence of allowable qualifying expenses. The Organization had conditional grant awards of \$2,051,960 that have not yet been received and conditions have not been met, for the year ended December 31, 2022. The Organization did not have any conditional grant awards for the year ended December 31, 2021.

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.

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 (Continued)

The Organization records the following exchange transaction revenue in its statements of activities for the years ended December 31, 2022 and 2021: *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

	2022	2021
Special event revenue	\$ 183,700	\$ 110,246
Sale of merchandise	120,578	22,502
Total	<u>\$ 271,970</u>	<u>\$ 132,748</u>

Various economic factors could affect the recognition and cash flows, including the demand for merchandise, ability to hold special events, special event program attendance and prompt payment.

Significant Judgements

There are no significant judgements involved in the recognition of revenue from special events and sale of merchandise.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue (contract liabilities) on the Statements of Financial Position. Contract liabilities are released as the performance obligations are met.

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 (Continued)

The beginning and ending contract balances were as follows:

	December 31,		
	2022	2021	2020
Accounts receivable	\$ -	\$ 48,883	\$ 85,630
Deferred revenue	\$ 68,834	\$ 79,146	\$ 34,759

Leases – The Organization leases office space and storage space. The Organization determines if an arrangement is a lease at inception. As an accounting policy election, the Organization chose not to apply the standard to short-term leases (term of 12 months or less). Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. The Organization does not have any financing leases.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Discount rates implicit in the lease are not readily determinable, and the Organization has elected to apply a risk-free rate to determine the present value of lease payments. The operating lease ROU asset is based on remaining future lease payments and excludes lease incentives. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization’s lease agreements contain lease and non-lease components. The Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, real estate taxes and insurance that are passed on from the lessor in proportion to the space leased, are recognized as expenses in the period in which the obligation for those payments was incurred.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Significant Accounting Policies (Continued)

In-Kind Contributions – The Organization records various types of in-kind support, as described in Note 6. 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, public relations and depreciation.

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.

Adoption of Accounting Pronouncements – In February 2016, the 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.

The Organization adopted the standard effective January 1, 2022, and recognized and measured leases existing at, or entered into after, January 1, 2022, (the beginning of the period of adoption), with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

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

Significant Accounting Policies (Continued)

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to increase the transparency of contributed nonfinancial assets for non-for-profit entities through enhancement to presentation and disclosure. The new guidance requires contributed nonfinancial assets be presented as a separate line item in the statements of activities, a disclosure with the disaggregation of the amount of contributed nonfinancial assets by category as well as certain qualitative information. ASU No. 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization adopted the requirements of ASU No. 2020-07 as of December 31, 2022. The Adoption of this accounting pronouncement did not have a material impact on the financial statements.

Subsequent events – The Organization has evaluated subsequent events through July 17, 2023, the date on which the financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

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, 2022 and 2021.

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

Assets measured at fair value on a recurring basis as of December 31, 2022 and December 31, 2021 are as follows:

	Level 1	Level 2	Total
<u>December 31, 2022</u>			
Mutual funds	\$ 1,279,085	\$ -	\$ 1,279,085
Exchange traded funds	1,030,740	-	1,030,740
Corporate debt securities	-	1,040,353	1,040,353
	\$ 2,309,825	\$ 1,040,353	\$ 3,350,178
	Level 1	Level 2	Total
<u>December 31, 2021</u>			
Mutual funds	\$ 1,622,947	\$ -	\$ 1,622,947
Exchange traded funds	1,380,915	-	1,380,915
Corporate debt securities	-	1,140,401	1,140,401
	\$ 3,003,862	\$1,140,401	\$ 4,144,263

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. PROPERTY AND EQUIPMENT

Property and equipment by major classification are as follows at December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 71,830	\$ 71,830
Computer equipment	347,909	357,887
Automobiles	321,373	181,941
Office equipment	540,869	524,167
Building	3,216,545	3,101,124
Land improvements	1,087,773	1,087,773
Land	132,124	132,124
Work in Process	52,508	-
	<u>5,770,931</u>	<u>5,456,846</u>
Less accumulated depreciation	3,511,788	3,230,999
Net property and equipment	<u>\$ 2,259,143</u>	<u>\$ 2,225,847</u>

4. LEASES

As described in Note 1, the Organization adopted ASU 2016-02 as of January 1, 2022. As a result of the new standard the Organization recognized on January 1, 2022 a lease liability of \$3,007,175, which represents the present value of the remaining operating lease payments discounted using the applicable risk-free interest rate and a right of use asset of \$3,007,175. The adoption of the new guidance did not have a material impact on the organization's statement of activities and cash flows.

The Organization has operating leases for office space and storage. The Organization's leases have remaining lease terms of 3 to 12 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend the lease when it is reasonably certain that the Organization will exercise those options. The components of lease expense were:

Operating lease costs	\$ 367,622
Variable lease cost	<u>60,781</u>
Total	<u>\$ 428,403</u>

The following table summarize supplemental cash flow information at December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 278,737</u>
Weighted average remaining lease term (years)	9.4
Weighted average discount rate	1.61%

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LEASES (Continued)

Future minimum lease payments under non-cancellable operating leases as of December 31, 2022 were as follows:

2023	\$ 315,240
2024	309,239
2025	295,407
2026	315,765
2027	319,912
Thereafter	<u>1,450,753</u>
Total future undiscounted lease payments	3,006,316
Less: interest	<u>(231,818)</u>
Present value of lease liabilities	<u>\$2,774,498</u>

5. RELATED PARTY TRANSACTIONS

In accordance with the accreditation agreement Special Olympics International, the National Office, provides various services to Special Olympics Illinois for a fee reflected below. The Organization also has an agreement with the National Office pertaining to a marketing/fundraising program.

The following is a summary of the transactions which occurred during the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Amounts remitted to National Office:		
Support service fees	\$ 209,978	\$ 162,936
Total	<u>\$ 209,978</u>	<u>\$ 162,936</u>
Amounts remitted to Special Olympics Illinois:		
Direct mail contributions	\$ 554,279	\$ 554,279
Co-op projects/grants	705,726	519,480
Total	<u>\$ 1,260,005</u>	<u>\$ 1,073,759</u>
Amounts owed to Special Olympics Illinois:		
Direct mail contributions	\$ 436,236	\$ 632,626
Total	<u>\$ 436,236</u>	<u>\$ 632,626</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. Board members contributed \$793,015 and \$254,000 for the years ended December 31, 2022 and 2021, respectively. 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)

5. RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2022 and 2021, the Organization had accounts payable of \$1,000,000, and \$498,667 respectively for a grant commitment due to Illinois S.O. Foundation. The Organization and the Illinois S.O. Foundation are related through a non-controlling portion of common board members.

6. IN-KIND CONTRIBUTIONS

The Organization received the following contributions of nonfinancial assets for the years ending December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Advertising		
Special Events - printing	\$ 123	\$ 3,854
Special Events - publicity	250,369	566,782
Space		
Special Events - facility	37,555	9,950
Equipment and facility rental	521,820	113,225
Office rent / occupancy	17,900	22,180
Hospitality / entertainment	12,600	10,180
Professional Services		
Legal	1,110	-
Public relations	27,405	17,740
Other professional fees	3,492,960	1,703,983
Special Events - professional fees	3,000	600
Materials/Supplies/Food/Other		
Special Events - awards	51,122	4,920
Special Events - hospitality	36,955	4,412
Special Events - supplies	6,340	135
Special Events - travel	3,162	-
Games and equipment supplies / uniforms	13,529	39,903
Office supplies	-	1,000
Awards and recognition	3,684	-
Food and housing	90,876	20,358
Travel	63,408	900
Special Events - Credit Card Fees	-	3,475
Total in-kind	<u>\$ 4,633,918</u>	<u>\$ 2,523,597</u>

There were no in-kind contributions of property for the years ended December 31, 2022 and December 31, 2021.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. IN-KIND CONTRIBUTIONS (Continued)

The Organization received donated publicity for programs and special events as part of the Organization's fundraising activities. The donated advertising services are valued at the market prices that would be paid for similar services in the geographic market area. Advertising donations are for media promotions and printing services.

The Organization received contributions of donated space for conducting programs and hosting fundraising events. The space is valued at the fair market value per square foot using publicly available rates for what the Organization would have to pay to use the space for the length of time the space is used.

The Organization received contributions of professional services that are used in the Organization's program and fundraising activities. The professional services include coaching and teaching. The coaching hours are valued using a rate based on Bureau of Labor Statistics for a youth sport for the current year. The teaching hours are determined by Illinois State Board of Education teacher salary study for the current year.

The Organization received contributions of materials, supplies, food and other items that include office supplies, equipment supplies, uniforms, awards, and travel. The materials, supplies, food and other items are valued at fair market value for purchasing similar products at the time of donation for the program and/or fundraising event. The donated items are to be given away at the events or used at the time of the event being held.

The in-kind contributions were received with no donor restrictions for the years ended December 31, 2022 and 2021, respectively.

7. NET ASSETS WITH DONOR RESTRICTION

Total net assets with donor restriction for the years ended December 31, 2022 and 2021, was \$46,483 and \$73,351 respectively. Net assets with donor restriction were related to contributions given to the Organization to support Lake and Cook County general operations and the statewide Healthy Athletes programs.

8. 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.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

The Organization has adopted overall investment policies for its investments. The primary investment objective is to seek growth of principal while providing investment income that will allow for the cash flow shortfall and capital fund growth. The objective of the board designated Endowment fund reserve is to maintain the designated operating reserve amount within the investment portfolio. 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.

During the years ended December 31, 2022 and 2021, the Board has not designated any investment return to the board designated endowment fund operating reserve.

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, 2022 and 2021 no amounts were appropriated for spending in operations.

Transactions related to the board designated Endowment Fund for the years ended December 31, 2022 and 2021, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Change in board designated Endowment Funds		
Investment income, net	\$ _____ -	\$ _____ -
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.

9. 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, 2022 and 2021, the bank balances of the deposits exceeded FDIC limits by approximately \$4,183,874 and \$3,049,484, respectively. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts.

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. NOTE PAYABLE

In February 2018, the Organization established a note with Bank of America for \$900,000 at an interest rate of 4.62%. The note had a maturity date of February 2, 2023 and was payable in 59 regular payments of \$9,407, and one irregular last payment estimated to be \$509,223. The note was secured by all equipment and fixtures, inventory, accounts receivable and real property at 605 East Willow Street, Normal, Illinois 61761. The Organization paid the remaining debt balance in August 2021 resulting in no balance for December 31, 2022 and 2021.

11. LINE OF CREDIT

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 July 31, 2023. The Organization did not have a balance on the line of credit as of December 31, 2022 and 2021. The line of credit is secured by 605 East Willow Street, Normal, Illinois 61761.

12. 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 \$72,928 and \$33,378 for the years ended December 31, 2022 and 2021, respectively.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's assets as of December 31, 2022 and 2021 available for general use within one year of the Statement of Financial Position date.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,715,595	\$ 4,435,815
Pledges receivable, net	65,025	65,983
Receivables - Special Olympics International	436,236	632,626
Grant Receivable	1,115,058	-
Employee retention tax credit receivable	1,800,000	
Investments	450,178	1,244,263
Total financial assets available within one year	<u>9,582,092</u>	<u>6,378,687</u>
Less: Funds held for others	(81,900)	(26,192)
Less: Net assets with donor restriction	<u>(46,483)</u>	<u>(73,351)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 9,453,709</u>	<u>\$ 6,279,144</u>

SPECIAL OLYMPICS ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

13. 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.

14. COMMITMENTS AND CONTINGENCIES

The IRS has extended the statute of limitations to five years with respect to ERC claims. Should the IRS subsequently audit ERC amounts and determine the Organization did not meet the eligibility requirements, a legal liability for repayment of previously recognized ERC amounts could be incurred.