

Special Olympics Kentucky, Inc.  
Audited Financial Statements  
For the Year Ended December 31, 2018

Special Olympics Kentucky, Inc.  
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December 31, 2018

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## Independent Auditor's Report

Special Olympics Kentucky, Inc.  
105 Lakeview Court  
Frankfort, Kentucky 40601

We have audited the accompanying financial statements of Special Olympics Kentucky, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Kentucky, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United State of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Comparative Statements of Financial Position and the Combining Comparative Statements of Activities on pages 14 and 15, respectively, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Charles T. Mitchell Co.*

July 31, 2019  
Frankfort, KY

Assets		
Current Assets		
Cash and Cash Equivalents	\$	1,712,157
Investments		960,781
Receivables		80,580
Prepaid Assets		11,526
Total Current Assets		<u>2,765,044</u>
Property Plant and Equipment, Net of Accumulated Depreciaton		<u>673,121</u>
Total Assets	\$	<u><u>3,438,165</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$	38,464
Payroll Taxes Payable		23,212
Accrued Liabilities		44,085
Unearned Revenue		46,308
Sales Tax Payable		1,507
Notes Payable-Current Portion		10,630
Total Current Liabilities		<u>164,206</u>
Long-term Liabilities		
Notes Payable		<u>19,925</u>
Total Liabilities		<u>184,131</u>
Net Assets		
Net Assets without Donor Restrictions		<u>3,254,034</u>
Total Liabilities and Net Assets	\$	<u><u>3,438,165</u></u>

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

Special Olympics Kentucky, Inc.  
Statement of Activities  
For the Year Ended December 31, 2018

Revenues, Gains, and Other Support:	
Contributions	\$ 1,633,759
Contracts	218,926
Competitions	444,999
Special Projects	1,407,934
Investment Income	28,449
Unrealized Gain (Loss) on Investments	(97,538)
Realized Gain (Loss) on Investments	29,459
In-Kind Contributions	73,864
	<hr/>
Total Revenues, Gains and Other Support	3,739,852
	<hr/>
Expenses	
Competition	903,905
Program Events	1,316,736
Public Relations	331,426
Management and General	255,363
Fundraising	508,332
In-Kind Expenses	73,864
	<hr/>
Total Expenses	3,389,626
	<hr/>
Change in Net Assets	350,226
Beginning Net Assets	2,903,808
	<hr/>
Ending Net Assets	<u><u>\$ 3,254,034</u></u>

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

Special Olympics Kentucky, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Activities					Fundraising	Total
	Competition	Program Events	Public Relations	Mgmt and General			
State Office:							
Salaries and Wages	\$ 171,485	\$ 190,539	\$ 114,323	\$ 165,133	\$ 184,187	\$ 825,667	
Employee Benefits	40,709	45,232	27,139	39,201	43,725	196,006	
Payroll Taxes	13,110	14,564	8,738	12,622	14,078	63,112	
Supplies	2,067	3,101	452	388	452	6,460	
Telephone	9,881	8,783	1,098	439	1,757	21,958	
Postage	509	702	369	35	140	1,755	
Equip/Maint/Leases	37,917	32,501	16,250	10,834	10,834	108,336	
Travel	1,567	1,344	672	448	448	4,479	
Depreciation	17,135	14,687	7,344	4,896	4,896	48,958	
Program Related Materials	304,133	497,406	104,481	-	216,281	1,122,301	
Miscellaneous	26,458	22,679	11,339	7,559	7,559	75,594	
In-Kind Expenses	-	55,479	-	-	18,385	73,864	
Insurance	33,140	-	-	13,808	8,285	55,233	
Total State Office Exp	<u>658,111</u>	<u>887,017</u>	<u>292,205</u>	<u>255,363</u>	<u>511,027</u>	<u>2,603,723</u>	
Local Programs:							
Postage	2,114	-	-	-	-	2,114	
Copying and Printing	1,940	-	-	-	-	1,940	
Office Supplies	1,416	-	-	-	-	1,416	
Travel, Lodging and Meals	151,237	-	-	-	-	151,237	
Merchandise and Awards	42,022	-	-	-	-	42,022	
Program Related Exp	47,065	54,909	39,221	-	15,689	156,884	
Program Materials	-	18,307	-	-	-	18,307	
Competitions	-	411,982	-	-	-	411,982	
Total Local Programs Exp	<u>245,794</u>	<u>485,198</u>	<u>39,221</u>	<u>-</u>	<u>15,689</u>	<u>785,902</u>	
Total State and Local Exp	<u>\$ 903,905</u>	<u>\$ 1,372,215</u>	<u>\$ 331,426</u>	<u>\$ 255,363</u>	<u>\$ 526,716</u>	<u>\$ 3,389,625</u>	

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

Special Olympics Kentucky, Inc.  
Statement of Cash Flow  
For the Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ 350,226
Adjustments to Reconcile Net Assets to Net Cash	
Depreciation	48,958
Unrealized Loss	97,538
Used by Operating Activities:	
Increase in Accounts Receivable	(41,660)
Decrease in Prepaid Expenses	9,749
Decrease in Payables and Accrued Liabilities	(1,652)
Decrease in Unearned Revenue	(52,064)
Net Cash Used by Operating Activities	<u>411,095</u>
Cash Flows from Investing Activities:	
Purchase of Equipment	(52,654)
Purchases of Available-for-Sale Securities	(320,170)
Proceeds From Sales of Available-for Sale Securities	95,239
Net Cash Used by Investing Activities	<u>(277,585)</u>
Cash Flows from Financing Activities:	
Payments on Long Term Debt	(10,381)
Net Cash Used by Financing Activities	<u>(10,381)</u>
Net Increase In Cash	123,129
Cash and Cash Equivalents, Beginning of Year	<u>1,589,028</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,712,157</u>
Supplemental Disclosures of Cash Flow Statement	
Interest	<u>\$ 931</u>
Taxes	<u>\$ -</u>

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



## **Note 1 – Nature of Operations**

### Nature of Activities

Special Olympics Kentucky, Inc. is an accredited organization of Special Olympics International which was founded in 1968 by the Joseph P. Kennedy, Jr. Foundation. The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities by giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendships with their families, other Special Olympics athletes and the community.

The accompanying financial statements present the financial position and changes in net assets and cash flows of the organization. Additionally, Special Olympics Kentucky, Inc. includes the financial data conducted by its headquarters and local programs. Special Olympics Kentucky, Inc. has no ownership or voting interests in local programs. However, local program affiliates give Special Olympics Kentucky, Inc. significant control over how the local programs carry out these activities. Furthermore, Special Olympics Kentucky, Inc. oversees local bank accounts and monitors ongoing activities and the usage of the Special Olympics moniker.

## **Note 2 – Summary of Significant Accounting Policies**

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes income in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which they are incurred regardless of when cash is paid.

### Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the reported period. Actual results could vary from the estimates that were used.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, Special Olympics Kentucky, Inc. considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

### Investments

Special Olympics Kentucky, Inc. carries investments in marketable securities with readily determined fair values and all investments in debt securities are presented at their fair values based on quoted prices in the statement of financial position. Gains and losses are included in the accompanying statement of activities.

## Note 2 – Summary of Significant Accounting Policies (Continued)

### Income Tax

Special Olympics Kentucky, Inc. qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, as such is not subject to income taxes. Form 990 is filed annually. Tax years 2015, 2016 and 2017 remain subject to examination by major tax jurisdictions as of December 31, 2018. Special Olympics Kentucky, Inc.'s management believes all positions taken would be upheld under an examination. No provisions for the effects of uncertain tax positions have been recorded for year ended December 31, 2018.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method over the estimated useful life of the related assets. For financial reporting purposes the rates for estimated lives are:

Building	40 Years
Furnitures & Fixtures	5-13 Years
Vehicles	5 Years

The organization's policy is to capitalize all items which have a unit cost greater than one thousand dollars. Items purchases with a value or cost less than one thousand dollars are expensed as in the period purchased.

### In-Kind Contributions and Donated Services

In-kind contributions are reflected at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The amount of in-kind contributions received in 2018 totaled \$73,864.

Special Olympics Kentucky, Inc. benefited from donated services which were also valued at fair value for various programs and events for the year ended December 31, 2018. Donated services have been reported in the statement of activities.

### Revenue Recognition

All contributions and donations are considered available for general programs unless specifically restricted by the donor.

### Retirement

Special Olympics Kentucky, Inc. provides sponsors a 401(k) plan covering substantially all employees. Employees are eligible for participation in the plan after one year of employment and

the organization contributes up to 4% of employees' wages. The organization contributed \$27,446 to the plan during 2018.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Change in Accounting Principles

Special Olympics Kentucky, Inc. implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards changed the following aspects of the financial statements:

The unrestricted net asset class has been renamed Net Assets without Donor Restrictions.

The financial statements include a disclosure about liquidity and availability of resources (Note 12).

The changes have the following effect on Net Assets at January 1, 2018

Net Asset Class	As Originally Presented	After Adoption
Unrestricted Net Assets	\$2,903,808	
Net Assets without Donor Restrictions		\$2,903,808

**Note 3 – Investments**

Special Olympics Kentucky, Inc. was bequeathed funds in 1993. The donated funds as of the date of transfer had a value of \$1,400,000. At December 31, 2018 the market value of the securities totaled \$960,781. Investment assets are invested in a well-diversified mix held at a local investment firm. The investment mixture includes the following at December 31, 2018:

<u>Description</u>	<u>Value</u>	<u>% of Asset</u>
Cash and Cash Equivalents	\$ 190,625	19.8%
ETF's	770,156	80.2%
Stocks	-	0.0%
Total Securities	960,781	
Total Investment Securities	\$ 960,781	

Investment income is summarized as follows:

<u>Description</u>	<u>Value</u>
Interest, Dividend Income and Capital Gain Distributions	\$ 28,449
Realized Gain (Loss)	29,459
Unrealized Gain (Loss)	(97,538)
Total Investment Income	\$ (39,630)

**Note 3 – Investments (Continued)**

**Fair Value Measurement**

Investments are recorded at fair value in the accompanying financial statements. Special Olympics Kentucky, Inc. establishes a fair value hierarchy to be used in measuring fair value that maximizes the use of observable values and minimizes the use of unobservable values by requiring that the most observable values be used when available. Observable values are those the market participants would use in pricing the asset based on the market data obtained from independent sources. Unobservable values would reflect assumptions about the market value participants would use in pricing the assets based on the best information available in the circumstances. The determination of where an asset falls in the hierarchy requires significant judgment. The hierarchy consists of three broad levels as follows:

Level 1: Quoted prices in active markets for identical assets or at the measurement date.

Level 2: Quoted market prices for similar assets and liabilities in an active market; quoted prices for identical or similar asset in an inactive market and calculation techniques utilizing observable market inputs.

Level 3: Valuation derived from techniques in which one or more significant inputs are unobservable.

Following is a description of the valuation method used for assets measured at fair value.

Mutual Funds: Valued at unadjusted quoted prices from exchange or broker-dealer market.

Stock: Valued at unadjusted quoted prices from exchange or broker-dealer market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its' valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a difference in fair value measurement at December 31, 2018. The following is a schedule of Special Olympics Kentucky, Inc.'s investments presented at fair value determined by the previously mentioned hierarchy measured at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ -	\$ -	-
ETF's	770,156	-	-
Totals	\$ 770,156	\$ -	\$ -

Cash and cash equivalents are not considered in the fair value footnotes. The values used in valuing Special Olympics Kentucky, Inc.'s investments are not necessarily an indication of investment risk. Special Olympics Kentucky, Inc.'s investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to these risks, it is possible that changes in the value of investment could occur in the near term and that such changes could materially affect the net assets recorded in the accompanying financial statements.

**Note 4 – Receivables**

Receivables are stated at unpaid balances. Special Olympics Kentucky, Inc. considers receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required or estimated. If amounts become uncollectible, they will be charged to operations when the determination is made. Management chooses not to accrue interest on receivables regardless of the status of delinquency.

**Note 5 – Property and Equipment**

The following is a summary of property and equipment, valued at cost, less accumulated depreciation at December 31, 2018:

	Cost	Accumulated Depreciation	Book Value
Land	22,000	\$ -	\$ 22,000
Building	1,127,364	560,507	566,857
Furniture & Fixtures	133,667	122,604	11,063
Vehicles	174,074	100,941	73,133
Total	\$ 1,457,105	\$ 784,052	\$ 673,053

Depreciation expense for the year ended December 31, 2018 totaled \$48,958.

**Note 6 – Accrued Compensated Absences**

Special Olympics Kentucky, Inc. policy allows for the carryover of vacation days between years. Employees of the organization are entitled to paid vacation and sick days, depending on job classifications, length of service, and other factors. Management has estimated the amount of compensation for future absences, and, accordingly, \$44,085 has been recorded in the accompanying financial statements.

**Note 7 – Line of Credit**

Special Olympics Kentucky, Inc. has a line of credit agreement with Republic Bank in the amount of \$250,000 with a variable interest rate which of 3.25% at December 31, 2018. The loan was paid in full as of December 31, 2017. Special Olympics Kentucky, Inc. did not use the line of credit in 2018.

**Note 8 – Notes Payable**

At December 31, 2018, Special Olympics Kentucky, Inc. has a loan with Toyota Financial Services at an interest rate of 5.30%, with an unpaid principal balance totaling \$15,062 as of December 31, 2018. The note matures November 2021 and is secured by the asset purchased, of which is included in property, plant and equipment and depreciated over its estimated useful life. There is also a loan

**Note 8 – Notes Payable (Continued)**

with Toyota Financial services at an interest rate of 0% for a van purchased in August 2016. The amount financed was \$29,022 and there was an unpaid balance of \$15,493 as of December 31, 2018.

At December 31, 2018 notes payable was comprised of the following:

Year Ended	Amount
2019	10,630
2020	10,892
2021	9,017
2022	16
2023	-
Total Debt	30,555
Current Portion	(10,630)
Long-term Portion	\$ 19,925

Interest paid totaled \$931 for the year ended December 31, 2018.

**Note 9 – Net Assets**

As of and for the year ended December 31, 2018, Special Olympics Kentucky, Inc. had not received donor restricted contributions. Special Olympics Kentucky, Inc. has no permanent or temporarily restricted net assets.

**Note 10 – State and Local Income and Expense**

The organization paid local programs and/or affiliates \$120,866 and local programs and/or affiliates paid \$303,666 to the organization. These payments are for programs and events and the use of the Special Olympics name, respectively.

**Note 11 – Operating Lease**

The organization incurred a lease expense in 2018 totaling \$24,999, or \$2,083 per month. The lease agreement is for the use of office space and is renewable on a yearly basis.

**Note 12 – Liquidity and Availability**

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

**Note 12 – Liquidity and Availability (Continued)**

Financial Assets:	
Cash and Cash Equivalents	\$ 1,712,157
Investments	960,781
Receivables, net	80,580
Total Financial Assets	2,753,518
Less Financial Assets held to meet donor-imposed restrictions	-
Less Financial Assets not available within one year	-
Less Board-Designated Funds	-
Amount available for general expenditures within one year	\$ 2,753,518

**Note 13 – Subsequent Events**

Subsequent events were evaluated through July 31, 2019 which is the date the financial statements were available to be issued. Except for the event disclosed below, there were no subsequent events requiring adjustment to the financial statements.

**Note 14 – Concentrations**

Special Olympics Kentucky, Inc. is geographically concentrated within the Commonwealth of Kentucky. Approximately 38% of the organization’s revenue is derived from special projects. The current level of the organization’s operations and program services may be impacted or segments discontinued if the funding is not consistent.

The organization maintains its cash balance in various financial institutions. The balances of the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018 the organization had approximately \$58,128 that exceeded the FDIC limit.

Supplemental Information



Special Olympics Kentucky, Inc.  
Combining Comparative Statements of Financial Position  
December 31, 2018

	State Office	Local Programs	2018 Total (Memo Only)	2017 Total (Memo Only)
<b>Assets</b>				
Cash and Cash Equivalents	\$ 314,860	\$ 1,397,297	\$ 1,712,157	1,589,028
Investments	960,781	-	960,781	833,387
Accounts Receivables	80,580	-	80,580	38,921
Prepaid Expenses	11,526	-	11,526	21,275
Property Plant and Equipment-Net	673,121	-	673,121	669,425
<b>Total Assets</b>	<b>\$ 2,040,868</b>	<b>1,397,297</b>	<b>\$ 3,438,165</b>	<b>\$ 3,152,036</b>
<b>Liabilities and Net Assets</b>				
Accounts Payable	\$ 38,464	\$ -	\$ 38,464	\$ 47,195
Payroll Taxes Payable	23,212	-	23,212	18,035
Accrued Liabilities	44,085	-	44,085	43,690
Unearned Revenue	46,308	-	46,308	98,372
Sales Tax Payable	1,507	-	1,507	-
Notes Payable	30,555	-	30,555	40,936
<b>Total Liabilities</b>	<b>184,131</b>	<b>-</b>	<b>184,131</b>	<b>248,228</b>
<b>Net Assets</b>				
Unrestricted	1,856,737	1,397,297	3,254,034	2,903,808
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,040,868</b>	<b>\$ 1,397,297</b>	<b>\$ 3,438,165</b>	<b>\$ 3,152,036</b>

See Independent Auditors Report.

Special Olympics Kentucky, Inc.  
Combining Comparative Statements of Activities  
For the Years Ended December 31, 2018

	State Office	Local Programs	2018 Total (Memo Only)	2017 Total (Memo Only)
Revenues, Gains, and Other Support:				
Contributions	\$ 1,358,253	\$ 275,506	\$ 1,633,759	\$ 1,001,133
Contracts	218,926	-	218,926	228,019
Competitions	319,080	125,919	444,999	400,142
Special Projects	951,532	456,402	1,407,934	1,334,273
Investment Income	21,067	7,382	28,449	24,720
Unrealized Gain/(Loss) on Investments	(97,538)	-	(97,538)	39,909
Realized Gain/(Loss) on Investments	29,459	-	29,459	-
In-Kind Contributions	73,864	-	73,864	155,469
Total Revenues, Gains and Other Support	<u>2,874,643</u>	<u>865,209</u>	<u>3,739,852</u>	<u>3,183,665</u>
Expenses				
Competition	\$ 658,111	\$ 245,794	\$ 903,905	\$ 855,114
Program Events	831,538	485,198	1,316,736	1,144,777
Public Relations	292,205	39,221	331,426	363,435
Management and General	255,363	-	255,363	226,747
Fundraising	492,642	15,689	508,331	514,401
In-Kind Expenses	73,864	-	73,864	155,469
Total Expenses	<u>2,603,723</u>	<u>785,902</u>	<u>3,389,625</u>	<u>3,259,943</u>
Change in Net Assets	270,920	79,307	350,227	(76,278)
Beginning Net Assets	1,585,817	1,317,990	2,903,807	2,980,086
Ending Net Assets	<u>\$ 1,856,737</u>	<u>\$ 1,397,297</u>	<u>\$ 3,254,034</u>	<u>\$ 2,903,808</u>

See Independent Auditors Report.