

Special Olympics Kentucky, Inc.
Audited Financial Statements
For the Year Ended December 31, 2015

Special Olympics Kentucky, Inc.
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December 31, 2015

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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, 2015, 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, 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Comparative Statement of Financial Position and the Combining Comparative Statement 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.

June 10, 2016
Frankfort, KY

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,685,184
Investments	749,971
Receivables	22,722
Prepaid Assets	14,885
Total Current Assets	<u>2,472,762</u>
Property Plant and Equipment, Net of Accumulated Depreciaton	<u>683,381</u>
Total Assets	<u><u>\$ 3,156,143</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 24,031
Payroll Taxes Payable	6,135
Accrued Liabilities	47,217
Unearned Revenue	110,305
Notes Payable-Current Portion	5,780
Total Current Liabilities	<u>193,468</u>
Long-term Liabilities	
Notes Payable	<u>5,924</u>
Total Liabilities	199,392
Net Assets	
Unrestricted	<u>2,956,751</u>
Total Liabilities and Net Assets	<u><u>\$ 3,156,143</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, 2015

Revenues, Gains, and Other Support:	
Contributions	\$ 943,326
Contracts	300,760
Competitions	386,773
Special Projects	1,438,744
Investment Income	19,551
Unrealized Loss on Investments	(32,844)
Realized Loss on Investments	(8,547)
In-Kind Contributions	89,996
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Total Revenues, Gains and Other Support	3,137,759
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Expenses	
Competition	921,334
Program Events	900,889
Public Relations	365,733
Management and General	186,119
Fundraising	560,382
In-Kind Expenses	89,996
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Total Expenses	3,024,453
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Change in Net Assets	113,306
Beginning Net Assets	2,843,445
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Ending Net Assets	\$ 2,956,751
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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, 2015

	Program Activities					Fundraising	Total
	Competition	Program Events	Public Relations	Mgmt and General			
State Office:							
Salaries and Wages	\$ 188,715	\$ 196,087	\$ 107,626	\$ 113,524	\$ 160,703	\$ 766,655	
Employee Benefits	46,104	47,904	26,293	27,734	39,260	187,295	
Payroll Taxes	15,417	16,017	8,791	9,273	13,126	62,624	
Supplies	2,842	4,260	621	533	621	8,877	
Telephone	7,976	7,089	886	354	1,418	17,723	
Postage	501	634	334	31	127	1,627	
Equip/Maint/Leases	34,086	29,215	14,608	9,739	9,739	97,387	
Travel	1,262	1,080	542	361	361	3,606	
Depreciation	12,429	10,653	5,327	3,551	3,551	35,511	
Program Related Materials	299,523	203,044	153,562	-	301,097	957,226	
Miscellaneous	19,077	16,351	8,176	5,451	5,451	54,506	
In Kind Expenses	89,996					89,996	
Insurance	37,364			15,568	9,341	62,273	
Total State Office Exp	<u>755,292</u>	<u>532,334</u>	<u>326,766</u>	<u>186,119</u>	<u>544,795</u>	<u>2,345,306</u>	
Local Programs:							
Postage	1,601					1,601	
Copying and Printing	1,779					1,779	
Office Supplies	347					347	
Travel, Lodging and Meals	153,029					153,029	
Merchandise and Awards	52,522					52,522	
Program Related Exp	46,760	54,554	38,967		15,587	155,868	
Program Materials		18,208				18,208	
Competitions		295,793				295,793	
Total Local Programs Exp	<u>256,038</u>	<u>368,555</u>	<u>38,967</u>		<u>15,587</u>	<u>679,147</u>	
Total State and Local Exp	<u>\$ 1,011,330</u>	<u>\$ 900,889</u>	<u>\$ 365,733</u>	<u>\$ 186,119</u>	<u>\$ 560,382</u>	<u>\$ 3,024,453</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, 2015

Cash Flows from Operating Activities	
Change in Net Assets	\$ 113,306
Adjustments to Reconcile Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	35,511
Unrealized Loss	32,844
Decrease in Accounts Receivable	14,857
Decrease in Prepaid Expenses	17,410
Increase in Payables and Accrued Liabilities	4,418
Increase in Unearned Revenue	4,755
Net Cash Provided by Operating Activities	<u>223,101</u>
Cash Flows from Investing Activities:	
Purchase of Equipment	(27,071)
Purchases of Available-for-Sale Securities	(326,817)
Proceeds From Sales of Available-for Sale Securities	310,691
Proceeds from Redemptions Securities	20,080
Net Cash Used by Investing Activities	<u>(23,117)</u>
Cash Flows from Financing Activities:	
Payments on Long Term Debt	(5,222)
Net Cash Used by Financing Activities	<u>(5,222)</u>
Net Increase In Cash	194,762
Cash and Cash Equivalents, Beginning of Year	<u>1,490,422</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,685,184</u></u>
Supplemental Disclosures of Cash Flow Statement	
Interest	<u><u>\$ 799</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.

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. Realized/unrealized gains and losses are included in the accompanying statement of activities.

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 2012, 2013 and 2014 remain subject to examination by major tax jurisdictions as of December 31, 2015. 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, 2015.

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

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 2015 totaled \$89,996.

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, 2015. 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 a tax-deferred 401(k) retirement plan for its employees through payroll. Employees are eligible for participation in the plan after one year of employment and the organization contributes up to 4% of wages. The organization's retirement expense for 2015 totaled \$26,598.

Comparative Data

The amounts shown for the year ended December 31, 2014 in the accompanying combining comparative statements of financial position and combining statements of activities are included to provide a basis for comparison of 2015 with 2014. Accordingly, the 2014 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with Special Olympics Kentucky, Inc. financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Consolidation

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

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, 2015 the market value of the securities totaled \$749,971. Investment assets are invested in a well diversified mix held at a local investment firm. The investment mixture includes the following at December 31, 2015:

Cash and Cash Equivalents	\$	245,051	32.675%
Mutual Funds		137,255	18.301%
Stocks		360,679	48.092%
Total Securities		742,985	
Fixed Income:			
Diversified Fixed Income		6,986	0.932%
Total Investment Securities	\$	749,971	

Investment return is summarized as follows:

Description	Value
Interest, Dividend Income and Capital Gain Distributions	19,551
Net Unrealized Loss	(32,844)
Net Realized Loss	(8,547)
Total Investment Income	(21,840)

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, 2015. 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, 2015:

	Level 1	Level 2	Level 3
Mutual Funds	\$ 137,255	\$	\$
Stock	360,679		
Fixed Income	6,986		
Totals	<u>\$ 504,920</u>	<u>\$</u>	<u>\$</u>

Note 3 – Investments (Continued)

Fair Value Measurement (continued)

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 receivable 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 receivable 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, 2015:

	Cost	Accumulated Depreciation	Book Value
Land	22,000	\$ -	\$ 22,000
Building	1,102,831	473,354	629,477
Furniture & Fixtures	133,667	115,773	17,894
Vehicles	99,923	85,913	14,010
Total	\$ 1,358,421	\$ 675,040	\$ 683,381

Depreciation expense for the year ended December 31, 2015 totaled \$35,511.

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, \$47,217 has been recorded in the accompanying financial statements.

Note 7 – Line of Credit

Special Olympics Kentucky, Inc. had 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, 2015. Loan was paid in full as of December 31, 2015.

Note 8 – Notes Payable

At December 31, 2015, Special Olympics Kentucky, Inc. has a loan with Toyota Financial Services at an interest rate of 1.90%, with an unpaid principal balance totaling \$11,704 as of December 31, 2015. Note matures January 2018 and is secured by the asset purchased, of which is included in property, plant and equipment and depreciated over its estimated useful life.

At December 31, 2015 notes payable was comprised of the following:

Year Ended	Amount
2016	5,471
2017	5,780
2018	453
Total Debt	11,704
Current Portion	(5,780)
Long-term Portion	\$ 5,924

Interest paid totaled \$799 for the year ended December 31, 2015.

Note 9 – Net Assets

As of and for the year ended December 31, 2015, Special Olympics Kentucky, Inc. had not received donor restricted contributions. Special Olympics Kentucky, Inc. has no permanent or temporarily restricted net assets.

Note 10 – Related Party Transactions

The organization paid local programs and/or affiliates \$96,697 and local programs and/or affiliates paid \$191,202 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 2015 totaling \$25,348, or \$2,112 per month. The lease agreement is for the use of office space and is renewable on a yearly basis.

Note 12 – Subsequent Events

Subsequent events were evaluated through June 10, 2016 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 13 – Concentration

Special Olympics Kentucky, Inc. is geographically concentrated within the Commonwealth of Kentucky. Approximately 53% 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, 2015 the organization had approximately \$209,653 that exceeded the FDIC limit.

Supplemental Information

Special Olympics Kentucky, Inc.
Combining Comparative Statements of Financial Position
December 31, 2015

	State Office	Local Programs	2015 Total (Memo Only)	2014 Total (Memo Only)
Assets				
Cash and Cash Equivalents	\$ 453,436	\$ 1,231,748	\$ 1,685,184	\$ 1,490,422
Investments	749,971		749,971	786,769
Accounts Receivables	22,722		22,722	37,579
Prepaid Expenses	14,885		14,885	32,295
Property Plant and Equipment-Net	683,381		683,381	691,821
Total Assets	\$ 1,924,395	\$ 1,231,748	\$ 3,156,143	\$ 3,038,886
Liabilities and Net Assets				
Accounts Payable	\$ 24,031	\$	\$ 24,031	\$ 19,984
Payroll Taxes Payable	6,135		6,135	3,874
Accrued Liabilities	47,217		47,217	49,107
Unearned Revenue	110,305		110,305	105,550
Notes Payable	11,704		11,704	16,926
Total Liabilities	199,392	-	199,392	195,441
Net Assets				
Unrestricted	1,725,003	1,231,748	2,956,751	2,843,445
Total Liabilities and Net Assets	\$ 1,924,395	\$ 1,231,748	\$ 3,156,143	\$ 3,038,886

Special Olympics Kentucky, Inc.
Combining Comparative Statements of Activities
For the Years Ended December 31, 2015

	State Office	Local Programs	2015 Total (Memo Only)	2014 Total (Memo Only)
Revenues, Gains, and Other Support:				
Contributions	\$ 655,979	\$ 287,347	\$ 943,326	\$ 668,489
Contracts	300,760		300,760	352,174
Competitions	285,026	101,747	386,773	389,087
Special Projects	1,016,103	422,641	1,438,744	1,724,661
Investment Income	16,851	2,700	19,551	17,189
Unrealized Loss on Investments	(32,844)		(32,844)	34,501
Realized Gain/(Loss) on Investments	(8,547)		(8,547)	8,089
In-Kind Contributions	89,996		89,996	65,358
Total Revenues, Gains and Other Support	<u>2,323,324</u>	<u>814,435</u>	<u>3,137,759</u>	<u>3,259,548</u>
Expenses				
Competition	\$ 665,296	\$ 256,038	\$ 921,334	\$ 831,762
Program Events	532,334	368,555	900,889	1,092,878
Public Relations	326,766	38,967	365,733	356,938
Management and General	186,119		186,119	211,157
Fundraising	544,795	15,587	560,382	535,432
In-Kind Expenses	89,996		89,996	65,358
Total Expenses	<u>2,345,306</u>	<u>679,147</u>	<u>3,024,453</u>	<u>3,093,525</u>
Change in Net Assets	(21,982)	135,288	113,306	166,023
Beginning Net Assets	1,746,985	1,096,460	2,843,445	2,677,422
Ending Net Assets	<u>\$ 1,725,003</u>	<u>\$ 1,231,748</u>	<u>\$ 2,956,751</u>	<u>\$ 2,843,445</u>