

Special Olympics Kentucky, Inc.
Audited Financial Statements
For the Year Ended December 31, 2016

Special Olympics Kentucky, Inc.
Table of Contents
December 31, 2016

Independent Auditor's Report 1-2

Financial Statements

Statement of Financial Position 3
Statement of Activities..... 4
Statement of Functional Expenses 5
Statement of Cash Flows..... 6
Notes to the Financial Statements 7-13

Supplemental Information

Combining Comparative Statements of Financial Position 14
Combining Comparative Statements of Activities 15

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, 2016, 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, 2016, 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 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.

June 27, 2017
Frankfort, KY

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,634,499
Investments	800,362
Receivables	29,196
Prepaid Assets	10,591
Total Current Assets	2,474,648
Property Plant and Equipment, Net of Accumulated Depreciaton	676,687
Total Assets	\$ 3,151,335
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 17,825
Payroll Taxes Payable	10,423
Accrued Liabilities	49,024
Unearned Revenue	60,659
Notes Payable-Current Portion	11,584
Total Current Liabilities	149,515
Long-term Liabilities	
Notes Payable	21,734
Total Liabilities	171,249
Net Assets	
Unrestricted	2,980,086
Total Liabilities and Net Assets	\$ 3,151,335

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

Special Olympics Kentucky, Inc.
Statement of Activities
For the Year Ended December 31, 2016

Revenues, Gains, and Other Support:	
Contributions	\$ 996,225
Contracts	212,964
Competitions	424,037
Special Projects	1,288,829
Investment Income	27,526
Unrealized Gain on Investments	33,320
Realized Gain on Investments	-
In-Kind Contributions	133,462
	<hr/>
Total Revenues, Gains and Other Support	3,116,363
Expenses	
Competition	880,000
Program Events	987,114
Public Relations	392,495
Management and General	211,294
Fundraising	488,663
In-Kind Expenses	133,462
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Total Expenses	3,093,028
Change in Net Assets	23,335
Beginning Net Assets	2,956,751
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Ending Net Assets	<u>\$ 2,980,086</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, 2016

	Program Activities				Mgmt and General	Fundraising	Total
	Competition	Program Events	Public Relations				
State Office:							
Salaries and Wages	\$ 149,780	\$ 191,546	\$ 128,177	\$ 136,818	\$ 171,383	\$ 777,704	
Employee Benefits	31,075	39,740	26,593	28,386	35,556	161,350	
Payroll Taxes	12,310	15,738	10,531	11,241	14,081	63,901	
Supplies	2,265	3,396	495	425	495	7,076	
Telephone	8,759	7,786	973	389	1,557	19,464	
Postage	592	816	429	41	163	2,041	
Equip/Maint/Leases	35,932	30,800	15,400	10,267	10,267	102,666	
Travel	958	821	411	274	274	2,738	
Depreciation	13,224	11,335	5,667	3,778	3,778	37,782	
Program Related Materials	298,021	253,719	169,612	-	226,710	948,062	
Miscellaneous	19,050	16,328	8,165	5,443	5,443	54,429	
In-Kind Expenses	133,462					133,462	
Insurance	34,157			14,232	8,539	56,928	
Total State Office Exp	739,585	572,025	366,453	211,294	478,246	2,367,603	
Local Programs:							
Postage	2,535					2,535	
Copying and Printing	1,368					1,368	
Office Supplies	2,630					2,630	
Travel, Lodging and Meals	161,214					161,214	
Merchandise and Awards	74,880					74,880	
Program Related Exp	31,250	36,458	26,042		10,417	104,167	
Program Materials		16,820				16,820	
Competitions		361,811				361,811	
Total Local Programs Exp	273,877	415,089	26,042		10,417	725,425	
Total State and Local Exp	\$ 1,013,462	\$ 987,114	\$ 392,495	\$ 211,294	\$ 488,663	\$ 3,093,028	

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, 2016

Cash Flows from Operating Activities	
Change in Net Assets	\$ 23,335
Adjustments to Reconcile Net Assets to Net Cash Used by Operating Activities:	
Depreciation	37,782
Unrealized Gain	(33,320)
Increase in Accounts Receivable	(6,474)
Decrease in Prepaid Expenses	4,294
Decrease in Payables and Accrued Liabilities	(111)
Decrease in Unearned Revenue	<u>(49,646)</u>
Net Cash Used by Operating Activities	<u>(24,140)</u>
Cash Flows from Investing Activities:	
Purchase of Equipment	(31,088)
Purchases of Available-for-Sale Securities	(407,523)
Proceeds From Sales of Available-for Sale Securities	407,779
Proceeds from Security Redemptions	<u>12,002</u>
Net Cash Used by Investing Activities	<u>(18,830)</u>
Cash Flows from Financing Activities:	
Payments on Long Term Debt	<u>(7,715)</u>
Net Cash Used by Financing Activities	<u>(7,715)</u>
Net Decrease In Cash	(50,685)
Cash and Cash Equivalents, Beginning of Year	<u>1,685,184</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,634,499</u>
Supplemental Disclosures of Cash Flow Statement	
Interest	<u>\$ 506</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. 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 2013, 2014 and 2015 remain subject to examination by major tax jurisdictions as of December 31, 2016. 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, 2016.

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 2016 totaled \$133,462.

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, 2016. 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 \$20,151 to the plan during 2016.

Comparative Data

The amounts shown for the year ended December 31, 2015 in the accompanying combining comparative statements of financial position and combining statements of activities are included to provide a basis for comparison of 2016 with 2015. Accordingly, the 2015 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, 2015, 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, 2016 the market value of the securities totaled \$800,362. Investment assets are invested in a well-diversified mix held at a local investment firm. The investment mixture includes the following at December 31, 2016:

Description	Value	% of Asset
Cash and Cash Equivalents	\$ 179,782	22.5%
Mutual Funds	137,667	17.2%
Stocks	482,913	60.3%
Total Securities	800,362	
Total Investment Securities	\$ 800,362	

Investment income is summarized as follows:

Description	Value
Interest, Dividend Income and Capital Gain Distributions	\$ 27,526
Unrealized Loss	33,320
Total Investment Income	\$ 60,846

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, 2016. 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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 137,667	\$	\$
Stock	482,913	_____	_____
Totals	\$ 620,580	\$	\$

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 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, 2016:

	Cost	Accumulated Depreciation	Book Value
Land	22,000	\$ -	\$ 22,000
Building	1,102,831	501,605	601,226
Furniture & Fixtures	133,667	117,982	15,685
Vehicles	130,944	93,168	37,776
Total	\$ 1,389,442	\$ 712,755	\$ 676,687

Depreciation expense for the year ended December 31, 2016 totaled \$37,782.

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, \$49,024 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, 2016. The loan was paid in full as of December 31, 2016.

Note 8 – Notes Payable

At December 31, 2016, Special Olympics Kentucky, Inc. has a loan with Toyota Financial Services at an interest rate of 1.90%, with an unpaid principal balance totaling \$5,924 as of December 31, 2016. The 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. There is also a loan with Toyota Financial services at an interest rate of 0% for a new van purchased in August 2016. The amount financed was \$29,022 and there was an unpaid balance of \$27,394 as of December 31, 2016.

At December 31, 2016 notes payable was comprised of the following:

Year Ended	Amount
2017	11,584
2018	6,257
2019	5,804
2020	5,804
2021	3,869
Total Debt	33,318
Current Portion	(11,584)
Long-term Portion	\$ 21,734

Interest paid totaled \$506 for the year ended December 31, 2016.

Note 9 – Net Assets

As of and for the year ended December 31, 2016, 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 \$94,476 and local programs and/or affiliates paid \$242,179 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 2016 totaling \$24,732, or \$2,061 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 27, 2017 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 – Concentrations

Special Olympics Kentucky, Inc. is geographically concentrated within the Commonwealth of Kentucky. Approximately 41% 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, 2016 the organization had approximately \$54,495 that exceeded the FDIC limit.

Supplemental Information

Special Olympics Kentucky, Inc.
Combining Comparative Statements of Financial Position
December 31, 2016

	State Office	Local Programs	2016		2015	
			Total (Memo Only)	Total (Memo Only)	Total	Total
Assets						
Cash and Cash Equivalents	\$ 357,606	\$ 1,276,893	\$ 1,634,499	\$ 1,685,184		
Investments	800,362	-	800,362	749,971		
Accounts Receivables	29,196	-	29,196	22,722		
Prepaid Expenses	10,591	-	10,591	14,885		
Property Plant and Equipment-Net	676,687	-	676,687	683,381		
Total Assets	\$ 1,874,442	\$ 1,276,893	\$ 3,151,335	\$ 3,156,143		
Liabilities and Net Assets						
Accounts Payable	\$ 17,825	\$ -	\$ 17,825	\$ 24,031		
Payroll Taxes Payable	10,423	-	10,423	6,135		
Accrued Liabilities	49,024	-	49,024	47,217		
Unearned Revenue	60,659	-	60,659	110,305		
Notes Payable	33,318	-	33,318	11,704		
Total Liabilities	171,249	-	171,249	199,392		
Net Assets						
Unrestricted	1,703,193	1,276,893	2,980,086	2,956,751		
Total Liabilities and Net Assets	\$ 1,874,442	\$ 1,276,893	\$ 3,151,335	\$ 3,156,143		

See Independent Auditors Report.

Special Olympics Kentucky, Inc.
Combining Comparative Statements of Activities
For the Years Ended December 31, 2016

	State Office	Local Programs	2016 Total (Memo Only)	2015 Total (Memo Only)
Revenues, Gains, and Other Support:				
Contributions	\$ 730,781	\$ 265,444	\$ 996,225	\$ 943,326
Contracts	212,964	-	212,964	300,760
Competitions	326,211	97,826	424,037	386,773
Special Projects	887,398	401,431	1,288,829	1,438,744
Investment Income	21,657	5,869	27,526	19,551
Unrealized (Loss)/Gain on Investments	33,320	-	33,320	(32,844)
Realized Gain/(Loss) on Investments	-	-	-	(8,547)
In-Kind Contributions	133,462	-	133,462	89,996
Total Revenues, Gains and Other Support	<u>2,345,793</u>	<u>770,570</u>	<u>3,116,363</u>	<u>3,137,759</u>
Expenses				
Competition	\$ 606,123	\$ 273,877	\$ 880,000	\$ 921,334
Program Events	572,025	415,089	987,114	900,889
Public Relations	366,453	26,042	392,495	365,733
Management and General	211,294	-	211,294	186,119
Fundraising	478,246	10,417	488,663	560,382
In-Kind Expenses	133,462	-	133,462	89,996
Total Expenses	<u>2,367,603</u>	<u>725,425</u>	<u>3,093,028</u>	<u>3,024,453</u>
Change in Net Assets	(21,810)	45,145	23,335	113,306
Beginning Net Assets	1,725,003	1,231,748	2,956,751	2,843,445
Ending Net Assets	<u>\$ 1,703,193</u>	<u>\$ 1,276,893</u>	<u>\$ 2,980,086</u>	<u>\$ 2,956,751</u>

See Independent Auditors Report.