

**SPECIAL OLYMPICS MISSOURI, INC. AND
SUPPORTING ORGANIZATION**

**CONSOLIDATED FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2016 AND 2015



***Special
Olympics***
Missouri



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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 16
ADDITIONAL INFORMATION	
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION	17
CONSOLIDATING SCHEDULE OF ACTIVITIES	18

To the Board of Directors
Special Olympics Missouri, Inc. and Supporting Organization
St. Louis, Missouri

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of *Special Olympics Missouri, Inc. and Supporting Organization* (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

May 4, 2017
St. Louis, Missouri

Mueller Probst LC

Certified Public Accountants

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 688,999	\$ 1,038,698
Investments	3,748,658	1,421,373
Accounts receivable	4,720	-
Pledges receivable - current, net	2,164,235	423,131
Inventory	11,978	15,712
Prepaid expenses	<u>43,858</u>	<u>42,392</u>
Total Current Assets	<u>6,662,448</u>	<u>2,941,306</u>
Property and Equipment, Net of Depreciation	<u>3,674,439</u>	<u>847,107</u>
Other Assets		
Long term investments	884,705	1,791,390
Pledges receivable - long-term, net	1,056,268	972,646
Land held for sale	580,000	-
Cash surrender value-life insurance	<u>29,492</u>	<u>28,936</u>
Total Other Assets	<u>2,550,465</u>	<u>2,792,972</u>
Total Assets	\$ <u>12,887,352</u>	\$ <u>6,581,385</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current portion of long-term debt	\$ 40,844	\$ 38,798
Accounts payable	202,666	25,357
Accrued vacation	<u>110,495</u>	<u>96,204</u>
Total Current Liabilities	<u>354,005</u>	<u>160,359</u>
Long-Term Debt, Net of Current Portion	<u>157,097</u>	<u>197,991</u>
Total Liabilities	<u>511,102</u>	<u>358,350</u>
Net Assets		
Unrestricted:		
Designated for Training for Life Campus Capital Campaign	496,200	496,200
Undesignated	<u>5,310,202</u>	<u>2,506,723</u>
Total Unrestricted Net Assets	5,806,402	3,002,923
Temporarily Restricted	<u>6,569,848</u>	<u>3,220,112</u>
Total Net Assets	<u>12,376,250</u>	<u>6,223,035</u>
Total Liabilities and Net Assets	\$ <u>12,887,352</u>	\$ <u>6,581,385</u>

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenue and Support		
Contributions	\$ 278,663	\$ 156,798
Direct marketing	381,511	385,447
Investment income (loss)	144,451	19,243
Unrealized loss on land held for sale	(88,195)	-
Loss on write off of construction in progress	(70,629)	-
Other income	191,630	211,098
Grants and trusts	460,381	340,844
Special events	2,301,644	2,610,044
Sponsorships	200,418	222,105
Donated services and In-kind contributions	6,254,656	2,592,093
Change in value - life insurance	556	624
Total Revenue and Support	<u>10,055,086</u>	<u>6,538,296</u>
Net Assets Released from Restrictions	<u>771,239</u>	<u>879,559</u>
Total Unrestricted Revenue	<u>10,826,325</u>	<u>7,417,855</u>
<u>EXPENSES</u>		
Program Services Expenses		
Program	6,566,717	6,072,471
Support Services Expenses		
Management	206,703	203,265
Fundraising	<u>1,249,426</u>	<u>1,052,712</u>
Total Expenses	<u>8,022,846</u>	<u>7,328,448</u>
Increase in Unrestricted Net Assets	<u>2,803,479</u>	<u>89,407</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Change in Temporarily Restricted Net Assets		
Contributions, net	3,165,577	1,333,736
Other income	68,401	37,755
Special events	111,018	101,944
Sponsorships	23,289	31,938
Donated services and In-kind contributions	586,190	-
Direct marketing	60,000	52,419
Grants and trusts	106,500	9,277
Less: Net assets released from restrictions	<u>(771,239)</u>	<u>(879,559)</u>
Increase in Temporarily Restricted Net Assets	<u>3,349,736</u>	<u>687,510</u>
Increase in Net Assets	6,153,215	776,917
Net Assets, Beginning of Year	<u>6,223,035</u>	<u>5,446,118</u>
Net Assets, End of Year	<u>\$ 12,376,250</u>	<u>\$ 6,223,035</u>

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services		Supporting Services		Total
	Program	Management	Fundraising		
Assessments	\$ 73,912	\$ -	\$ -	\$ -	73,912
Bad Debt Expense	-	-	19,210	-	19,210
Conferences / Meetings	126,004	-	15,106	-	141,110
Depreciation	33,372	7,707	-	-	41,079
Donated Services / In-kind Contributions	2,832,351	-	445,525	-	3,277,876
Employee Benefits	429,593	35,942	101,813	-	567,348
Equipment / Uniforms	18,826	-	-	-	18,826
Equipment Rent / Maintenance	76,942	405	6,694	-	84,041
Food	187,190	-	12,457	-	199,647
Housing	140,350	-	273	-	140,623
Insurance	58,346	-	190	-	58,536
Interest	11,097	-	-	-	11,097
Memberships / Dues / Subscriptions	3,377	-	-	-	3,377
Miscellaneous	-	-	6,650	-	6,650
Occupancy	177,889	1,662	714	-	180,265
Postage / Shipping	16,357	439	644	-	17,440
Printing / Production	120,601	-	26,637	-	147,238
Professional Fees / Consultant	267,615	16,436	201,978	-	486,029
Recognition	258,390	-	45,102	-	303,492
Salaries	1,402,943	143,404	353,066	-	1,899,413
Supplies	94,644	252	2,420	-	97,316
Telephone	37,765	456	713	-	38,934
Transportation	44,794	-	-	-	44,794
Travel	52,315	-	884	-	53,199
Venues	102,044	-	9,350	-	111,394
Total Functional Expenses	\$ 6,566,717	\$ 206,703	\$ 1,249,426	\$ -	\$ 8,022,846
	82%	3%	15%		

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Assessments	\$ 91,697	\$ -	\$ -	\$ 91,697
Conferences / Meetings	106,970	-	16,626	123,596
Depreciation	44,523	8,869	-	53,392
Donated Services / In-kind Contributions	2,394,478	-	197,615	2,592,093
Employee Benefits	394,234	29,054	90,407	513,695
Equipment / Uniforms	18,381	-	-	18,381
Equipment Rent / Maintenance	77,753	433	6,144	84,330
Food	197,684	-	13,477	211,161
Housing	191,829	-	1,140	192,969
Insurance	58,940	89	160	59,189
Interest	-	12,980	-	12,980
Memberships / Dues / Subscriptions	3,592	-	230	3,822
Miscellaneous	-	-	21,972	21,972
Occupancy	161,520	1,550	971	164,041
Postage / Shipping	18,545	374	666	19,585
Printing / Production	130,792	9	42,509	173,310
Professional Fees / Consultant	257,116	17,999	258,492	533,607
Recognition	247,575	-	48,340	295,915
Salaries	1,343,844	131,340	335,751	1,810,935
Supplies	92,228	242	4,880	97,350
Telephone	32,993	326	490	33,809
Transportation	40,949	-	-	40,949
Travel	61,748	-	622	62,370
Venues	105,080	-	12,220	117,300
Total Functional Expenses	\$ <u>6,072,471</u>	\$ <u>203,265</u>	\$ <u>1,052,712</u>	\$ <u>7,328,448</u>
	83%	3%	14%	

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ <u>6,153,215</u>	\$ <u>776,917</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	41,079	53,392
Unrealized and realized (gains) losses on investments	(102,539)	22,240
Loss on disposal of fixed assets	2,809	128
Unrealized loss on land held for sale	88,195	-
Loss on write off of construction in progress	61,704	-
Donated land	(3,200,000)	-
Change in assets - (increase) decrease		
Pledges receivable	(1,824,726)	(234,277)
Accounts receivable	(4,720)	-
Inventory	3,734	(3,735)
Prepaid expenses	(1,466)	20,390
Cash surrender value - life insurance	(556)	(623)
Change in liabilities - increase (decrease)		
Accounts payable	177,309	(22,944)
Accrued vacation	14,291	10,226
Total Adjustments	<u>(4,744,886)</u>	<u>(155,203)</u>
Net Cash Provided by Operating Activities	<u>1,408,329</u>	<u>621,714</u>
Cash Flows from Investing Activities		
Purchase of investments	(4,210,806)	(2,368,232)
Proceeds from sale of investments, reinvested	2,687,684	1,594,015
Proceeds from sale of investments retained in cash account	205,061	-
Purchase of property and equipment	(401,119)	(48,031)
Net Cash Provided by (Used In) Investing Activities	<u>(1,719,180)</u>	<u>(822,248)</u>
Cash Flows from Financing Activity		
Principal payments on long-term debt	(38,848)	(36,964)
Net Decrease in Cash and Cash Equivalents	(349,699)	(237,498)
Cash and Cash Equivalents - Beginning of Year	<u>1,038,698</u>	<u>1,276,196</u>
Cash and Cash Equivalents - End of Year	<u>\$ <u>688,999</u></u>	<u>\$ <u>1,038,698</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ <u>11,097</u></u>	<u>\$ <u>12,980</u></u>

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Special Olympics Missouri, Inc. ("SOMO") is a tax exempt, non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code. It was organized to provide 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 Olympics athletes, and the community. SOMO's support comes primarily from individual donors' contributions and special events.

SOMO Endowment Fund, Inc. (the "Foundation") is a tax exempt non-profit organization organized under Section 501(c)(3) of the Internal Revenue Code. The exclusive purpose of the Foundation is to act as a supporting organization to SOMO. The Foundation does not represent a legal endowment and has not received any permanently restricted funds.

Principles of Consolidated Financial Statements

The consolidated financial statements include the accounts of SOMO and its supporting organization, The Foundation (collectively, the "Organization"). All significant inter-company transactions and account balances have been eliminated in the consolidation.

Basis of Accounting

The Organization maintains their records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventory

Inventory is valued at cost, on a first-in, first-out basis and consists primarily of souvenirs.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Printing and Publications

Advertising costs are expensed as incurred. Advertising expense, included in printing / production and donated services/in-kind contributions, amounted to \$757,779 and \$446,230 for the years ended December 31, 2016 and 2015, respectively.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pledges Receivable

Unconditional pledges receivable are recognized as revenue or gains in the period pledged and as assets, decreases of liabilities, or expense depending on the form of the benefits received. Pledges receivable are recorded at net realizable value for current and long-term pledges receivable. The adjustments for net realizable value for the years ended December 31, 2016 and 2015 were \$(67,443) and \$(38,621), respectively. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method according to the following schedule:

Office furniture and equipment	5 – 10 years
Games and program equipment	5 years
Vehicles	5 years

The total depreciation expense included in the consolidated statements of activities for the years ended December 31, 2016 and 2015 was \$41,079 and \$53,392, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains its bank accounts at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. One bank, to insure balances over the FDIC limit, has the account in a cash management system that all collected funds are swept into an overnight repurchase agreement in which the Organization has a perfected interest in the collateral that is pledged to its account. The Organization has not experienced any losses on such accounts for balances in excess of the FDIC insurance. Management believes the Organization is not exposed to any significant credit risk related to those accounts.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as discussed under ASC 958-210, Financial Statements of Not-for-Profit Organizations. Under ASC 958-210, the Organization is required to report information regarding its financial position and activities according to these classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon existence or absence of donor-imposed restrictions. At December 31, 2016 and 2015, the Organization had no permanently restricted net assets.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Donated Services / In-kind Contributions

Donated services are recognized as contributions in accordance with ASC 958-605, *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958-605 were not met. In-kind contributions are recorded at the fair market value at the time of the donation.

Expense Allocation

Expenses are charged to programs and supporting services on the basis of actual costs incurred by the specific program or supporting service, as well as on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

SOMO and the Foundation are qualified not-for-profit organizations under Section 509(a) of the Internal Revenue Code and are, therefore, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

SOMO and the Foundation follow "FASB Accounting Standards Codification 740-10, Income Taxes – Overall". The Organization has assessed their federal and state tax positions and determined that there were no unrelated business income taxes and no uncertainties or possible related effects that need to be recorded as of or for the years ended December 31, 2016 and 2015. The returns of the Organization for 2016 (when filed), 2015, 2014, and 2013 are subject to examination by the respective taxing authorities generally for three years after they were filed.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I) and the lowest priority to unobservable inputs (level III). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level II – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level II input must be observable for substantially the full term of the asset or liability.

Level III – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and December 31, 2015.

Treasury bills are considered cash equivalents and are valued at face value. Cash held at one of the financial institutions sweeps the Organization's cash into treasury bills each night for asset protection.

Mutual funds are valued at the daily closing price as reported by the fund. The mutual funds held by the Organization are deemed to be actively traded.

Corporate bonds are valued at the daily price of the bond multiplied by the par value of the bond.

Equities are valued based upon the daily closing price.

Certificates of deposits (CDs) are valued at the daily price of the CDs multiplied by the par value of the CD.

Pledges receivable utilize Level III inputs and are reported at net realizable value.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Mutual Funds – Level I		
Small cap blend	\$ 29,936	\$ 23,733
Small cap growth	30,117	26,777
Mid cap blend	74,647	67,115
Large blend	744,303	826,853
Foreign large blend	70,510	69,673
Short-term bond fund	98,518	-
Intermediate term bond fund	<u>336,857</u>	<u>190,378</u>
Total Mutual Funds	1,384,888	1,204,529
Treasury Bills – Level I	-	137,529
Corporate Bonds – Level I	3,248,475	1,172,428
Equities – Level I	-	185,224
Certificate of Deposits – Level II	-	650,582
Pledges Receivable – Level III	<u>3,220,503</u>	<u>1,395,777</u>
	7,853,866	4,746,069
Less: Treasury Bills – cash equivalent	(-)	(137,529)
Pledges Receivable	<u>(3,220,503)</u>	<u>(1,395,777)</u>
Total Investments	<u>\$ 4,633,363</u>	<u>\$ 3,212,763</u>

Financial assets and liabilities valued using level I inputs are based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair value are consistently applied.

The following table provides further details of the Level III fair value measurements.

Balance at December 31, 2014	\$ 1,161,500
New pledges	727,285
Pledges written off	(58,075)
Pledges paid	(448,957)
Change in net present value of long-term pledges	<u>14,024</u>
Balance at December 31, 2015	1,395,777
New pledges	2,642,771
Pledges written off	(38,180)
Allowance for uncollectible pledge	(40,000)
Pledges paid	(711,043)
Change in net present value of long-term pledges	<u>(28,822)</u>
Balance at December 31, 2016	<u>\$ 3,220,503</u>

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable at December 31, are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 2,164,235	\$ 423,131
Receivable in one to five years	<u>1,056,268</u>	<u>972,646</u>
Total	\$ <u>3,220,503</u>	\$ <u>1,395,777</u>

Pledges receivable are reported at net realizable value as prescribed by generally accepted accounting principles. The allowance for uncollectible pledges was \$40,000 and \$0 at December 31, 2016 and 2015 respectively.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at December 31, 2016 and 2015:

	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<u>2016</u>			
Office Equipment	\$ 68,291	\$ 62,647	\$ 5,644
Program Equipment	46,493	44,450	2,043
Computer Equipment	300,760	295,345	5,415
Vehicles	188,303	132,877	55,426
Furniture & Fixtures	20,768	16,912	3,856
Construction in Progress	399,971	-	399,971
Signage	9,620	7,536	2,084
Land	<u>3,200,000</u>	<u>-</u>	<u>3,200,000</u>
	\$ <u>4,234,206</u>	\$ <u>559,767</u>	\$ <u>3,674,439</u>
<u>2015</u>			
Office Equipment	\$ 68,291	\$ 60,193	\$ 8,098
Program Equipment	46,493	39,652	6,841
Computer Equipment	298,051	285,858	12,193
Vehicles	188,303	114,714	73,589
Furniture & Fixtures	20,768	13,827	6,941
Construction in Progress	61,704	-	61,704
Signage	9,620	6,574	3,046
Land	<u>674,695</u>	<u>-</u>	<u>674,695</u>
	\$ <u>1,367,925</u>	\$ <u>520,818</u>	\$ <u>847,107</u>

During the year ended December 31, 2016, \$668,195 of land was transferred from property and equipment to land held for sale due to a change in the intended use of the land.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

During the year ended December 31, 2016, \$3,200,000 of land was donated to Special Olympics Missouri, Inc. for the Training for Life Campus. An agreement was made between Special Olympics and the donor to lease back the land for \$1 per year starting December 21, 2016 through the latter of December 31, 2017 or until Special Olympics, Inc. obtains an occupancy permit for the intended use of the land, but no longer than December 31, 2025.

NOTE 5 LAND HELD FOR SALE

As discussed in Note 4, land costs of \$668,195 were transferred from property and equipment into land held for sale. The land's value was adjusted to the appraised value of \$580,000, and an unrealized loss of \$88,195 was recorded. Also, \$70,629 of construction in progress related to this land was written off during the year ended December 31, 2016.

NOTE 6 LONG-TERM DEBT

The Organization's obligation under long-term debt consists of the following bank loan:

	<u>2016</u>	<u>2015</u>
Variable interest with a floor of 5% and a ceiling of 7.690%, monthly payments of principal and interest of \$4,162, per promissory note dated January 11, 2012, with final balloon payment due on January 20, 2022	\$ <u>197,941</u>	\$ <u>236,789</u>

The future scheduled maturities of long-term debt are as follows:

Year ending December 31,	
2017	\$ 40,844
2018	42,964
2019	45,193
2020	47,529
2021	<u>21,411</u>
	\$ <u>197,941</u>

NOTE 7 ACCRUED VACATION

Vacation time is earned at the rates shown below:

One to four years of employment	15 days per year
Five to nine years of employment	16.5 days per year
Ten to fourteen years of employment	18 days per year
Fifteen to twenty-four years of employment	21 days per year
Twenty-five years of employment and up	24 days per year

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 ACCRUED VACATION (CONTINUED)

Vacation time, based on date of employment, may be accumulated and limited up to 120 hours for one (1) to four (4) years, 132 hours for five (5) to nine (9) years, 144 hours for ten (10) to fourteen (14) years, and 168 hours for fifteen (15) to twenty-four (24) years and 192 hours for twenty-five (25) years and up.

Sick leave is not payable upon termination and therefore, is not accrued.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

	December 31, 2016	December 31, 2015
Purpose restrictions for future events	\$ 318,314	\$ 153,729
Pledges, including the Training for Life Campus	3,220,503	1,395,777
Other purpose restrictions, including the Training for Life Campus	<u>3,031,031</u>	<u>1,670,606</u>
Total	<u>\$ 6,569,848</u>	<u>\$ 3,220,112</u>

Restrictions released during 2016 and 2015 were \$771,239 and \$879,559 respectively.

NOTE 9 DONATED SERVICES AND IN-KIND CONTRIBUTIONS

Significant materials, property, facilities, and services are donated to the Organization by various individuals and organizations. The following schedule reflects the donations received. The corresponding expenses are presented in donated services / in-kind contributions expense or property and equipment. The difference between donated services and in-kind contributions revenue and expense is due to pledges receivable for donated services recognized in revenue when the pledge was made, but the expense or property and equipment addition is recognized when the services are received. Also donated property and equipment increase in-kind contributions revenue, but do not generate a direct expense offset since the donation is recognized as an increase in the asset on the statements of financial position.

	December 31, 2016	December 31, 2015
Donated Materials, Land, and Facilities Revenue	\$ 5,025,049	\$ 1,549,519
Donated Services Revenue	<u>1,229,607</u>	<u>1,042,574</u>
Total	<u>\$ 6,254,656</u>	<u>\$ 2,592,093</u>

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 RETIREMENT PLAN

The Organization offers all employees a 403(b) tax sheltered annuity plan. Employees may contribute twenty percent (20%) of their annual gross wages up to a maximum of \$18,000 and \$18,000 for 2016 and 2015, respectively. In 2016 and 2015, SOMO matched employee contributions up to 5% and made discretionary contributions of 3%. The total pension plan expense for the years ended December 31, 2016 and 2015 was \$124,328 and \$96,706 respectively.

NOTE 11 RELATED-PARTY TRANSACTIONS

SOMO and the Foundation have entered into a Master Fundraising Agreement. The terms of the agreement address the Foundation's fundraising activities on behalf of SOMO. The Foundation contributed \$488,503 and \$428,840 to SOMO during the years ended December 31, 2016 and 2015, respectively.

The Organization is related to Special Olympics, Inc. ("SOI"), the international non-profit organization. During the years ended December 31, 2016 and 2015, the Organization paid \$73,912 and \$91,697, respectively, for assessments due to SOI.

NOTE 12 LEASE COMMITMENTS

The Organization leases facilities and miscellaneous office equipment under various operating leases throughout Missouri. Rent expense, exclusive of donated facilities and inclusive of month-to-month leases, for the years ended December 31, 2016 and 2015 totaled \$163,125 and \$138,663, respectively.

Future annual minimum lease payments for facilities are as follows:

Year ending December 31,	
2017	\$ 152,353
2018	95,898
2019	45,588
2020	46,725
2021	47,863
2022	<u>15,640</u>
	\$ <u>404,067</u>

NOTE 13 RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. There is no effect to total assets, liabilities, net assets, revenue, or expenses.

NOTE 14 SUBSEQUENT EVENTS

The Organization broke ground on the Training for Life Campus on May 4, 2017. Management has evaluated subsequent events through the date of the independent auditors' report, the date the financial statements were available to be issued.

**SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2016**

	<u>Special Olympics Missouri, Inc.</u>	<u>SOMO Endowment Fund, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 204,236	\$ 484,763	\$ -	\$ 688,999
Investments	955,417	2,793,241	-	3,748,658
Accounts receivable	4,720	-	-	4,720
Pledges receivable - current, net	699,953	1,464,282	-	2,164,235
Inventory	11,978	-	-	11,978
Prepaid expenses	43,858	-	-	43,858
Total Current Assets	<u>1,920,162</u>	<u>4,742,286</u>	<u>-</u>	<u>6,662,448</u>
Property and Equipment, Net of Depreciation	<u>3,674,439</u>	<u>-</u>	<u>-</u>	<u>3,674,439</u>
Other Assets				
Long term investments	884,705	-	-	884,705
Due from SEF	3,442	-	(3,442)	-
Pledges receivable - long-term, net	-	1,056,268	-	1,056,268
Land held for sale	580,000	-	-	580,000
Cash surrender value-life insurance	-	29,492	-	29,492
Total Other Assets	<u>1,468,147</u>	<u>1,085,760</u>	<u>(3,442)</u>	<u>2,550,465</u>
Total Assets	<u>\$ 7,062,748</u>	<u>\$ 5,828,046</u>	<u>\$ (3,442)</u>	<u>\$ 12,887,352</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Current portion of long-term debt	\$ 40,844	\$ -	\$ -	\$ 40,844
Due to SOMO	-	3,442	(3,442)	-
Accounts payable	202,666	-	-	202,666
Accrued vacation	110,495	-	-	110,495
Total Current Liabilities	<u>354,005</u>	<u>3,442</u>	<u>(3,442)</u>	<u>354,005</u>
Long-Term Debt, Net of Current Portion	157,097	-	-	157,097
Total Liabilities	<u>511,102</u>	<u>3,442</u>	<u>(3,442)</u>	<u>511,102</u>
Net Assets				
Unrestricted:				
Designated for Training for Life Capital				
Campaign	450,000	46,200	-	496,200
Undesignated	5,083,379	226,823	-	5,310,202
Total Unrestricted	<u>5,533,379</u>	<u>273,023</u>	<u>-</u>	<u>5,806,402</u>
Temporarily Restricted	<u>1,018,267</u>	<u>5,551,581</u>	<u>-</u>	<u>6,569,848</u>
Total Net Assets	<u>6,551,646</u>	<u>5,824,604</u>	<u>-</u>	<u>12,376,250</u>
Total Liabilities and Net Assets	<u>\$ 7,062,748</u>	<u>\$ 5,828,046</u>	<u>\$ (3,442)</u>	<u>\$ 12,887,352</u>

**SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Special Olympics Missouri, Inc.	SOMO Endowment Fund, Inc.	Eliminations	Total
<u>UNRESTRICTED NET ASSETS</u>				
Revenue and Support				
Contributions	\$ 267,842	\$ 10,821	\$ -	\$ 278,663
Direct marketing	381,511	-	-	381,511
Investment income (loss)	106,574	37,877	-	144,451
Unrealized loss on land held for sale	(88,195)	-	-	(88,195)
Loss on write off of construction in progress	(70,629)	-	-	(70,629)
Other income	191,630	-	-	191,630
Grants and trusts	460,381	-	-	460,381
Special events	2,301,644	-	-	2,301,644
Sponsorships	200,418	-	-	200,418
Donated services and In-kind contributions	6,254,656	-	-	6,254,656
Change in value - life insurance	-	556	-	556
Transfer from affiliate	488,503	-	(488,503)	-
Total Revenue and Support	<u>10,494,335</u>	<u>49,254</u>	<u>(488,503)</u>	<u>10,055,086</u>
Net Assets Released from Restrictions	<u>244,114</u>	<u>527,125</u>	<u>-</u>	<u>771,239</u>
Total Unrestricted Revenue	<u>10,738,449</u>	<u>576,379</u>	<u>(488,503)</u>	<u>10,826,325</u>
<u>EXPENSES</u>				
Program Services Expenses				
Program	6,566,717	488,503	(488,503)	6,566,717
Support Services Expenses				
Management	206,703	-	-	206,703
Fundraising	952,122	297,304	-	1,249,426
Total Expenses	<u>7,725,542</u>	<u>785,807</u>	<u>(488,503)</u>	<u>8,022,846</u>
Increase in Unrestricted Net Assets	<u>3,012,907</u>	<u>(209,428)</u>	<u>-</u>	<u>2,803,479</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>				
Change in Temporarily Restricted Net Assets				
Contributions, net	20,869	3,144,708	-	3,165,577
Other income	68,401	-	-	68,401
Special events	111,018	-	-	111,018
Sponsorships	23,289	-	-	23,289
Donated services and In-kind contributions	586,190	-	-	586,190
Direct marketing	60,000	-	-	60,000
Grants and trusts	106,500	-	-	106,500
Less: Net assets released from restrictions	<u>(244,114)</u>	<u>(527,125)</u>	<u>-</u>	<u>(771,239)</u>
Increase in Temporarily Restricted Net Assets	<u>732,153</u>	<u>2,617,583</u>	<u>-</u>	<u>3,349,736</u>
Increase in Net Assets	3,745,060	2,408,155		6,153,215
Net Assets, Beginning of Year	<u>2,806,586</u>	<u>3,416,449</u>	<u>-</u>	<u>6,223,035</u>
Net Assets, End of Year	<u>\$ 6,551,646</u>	<u>\$ 5,824,604</u>	<u>\$ -</u>	<u>\$ 12,376,250</u>