

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2017 AND 2016



***Special
Olympics***
Missouri



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To the Board of Directors
Special Olympics Missouri, Inc. and Supporting Organization
Jefferson City, 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, 2017 and 2016, 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 Consolidated 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.

Auditors' 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, 2017 and 2016, 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 18 and 19 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 consolidated 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 23, 2018
St. Louis, Missouri

Mueller Probst LC

Certified Public Accountants

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 828,285	\$ 688,999
Investments	3,755,703	3,748,658
Accounts receivable	45,518	4,720
Pledges receivable - current, net	3,740,968	2,164,235
Inventory	15,662	11,978
Prepaid expenses	<u>230,773</u>	<u>43,858</u>
Total Current Assets	<u>8,616,909</u>	<u>6,662,448</u>
Property and Equipment, Net of Depreciation	<u>6,581,232</u>	<u>3,674,439</u>
Other Assets		
Long term investments	325,154	884,705
Pledges receivable - long-term, net	859,685	1,056,268
Land held for sale	475,000	580,000
Cash surrender value-life insurance	<u>3,953</u>	<u>29,492</u>
Total Other Assets	<u>1,663,792</u>	<u>2,550,465</u>
Total Assets	\$ <u>16,861,933</u>	\$ <u>12,887,352</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current portion of long-term debt	\$ 42,964	\$ 40,844
Accounts payable	54,458	26,966
Construction payable	385,538	175,700
Accrued vacation	<u>114,268</u>	<u>110,495</u>
Total Current Liabilities	597,228	354,005
Long-Term Debt, Net of Current Portion	<u>114,075</u>	<u>157,097</u>
Total Liabilities	<u>711,303</u>	<u>511,102</u>
Net Assets		
Unrestricted:		
Designated for Training for Life Campus Capital Campaign	500,000	496,200
Undesignated	<u>8,409,830</u>	<u>5,310,202</u>
Total Unrestricted Net Assets	8,909,830	5,806,402
Temporarily Restricted	<u>7,240,800</u>	<u>6,569,848</u>
Total Net Assets	<u>16,150,630</u>	<u>12,376,250</u>
Total Liabilities and Net Assets	\$ <u>16,861,933</u>	\$ <u>12,887,352</u>

The notes to consolidated financial statements are an integral part of these statements.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>UNRESTRICTED NET ASSETS</u>	<u>2017</u>	<u>2016</u>
Revenue and Support		
Contributions	\$ 314,588	\$ 318,663
Direct marketing	372,322	381,511
Investment income	120,500	144,451
Unrealized loss on land held for sale	(105,000)	(88,195)
Loss on write off of construction in progress	-	(70,629)
Other income	153,441	191,630
Grants and trusts	495,952	460,381
Special events	2,092,642	2,301,644
Sponsorships	151,204	200,418
Donated services and in-kind contributions	2,540,746	6,254,656
Change in value - life insurance	178	556
Total Revenue and Support	<u>6,136,573</u>	<u>10,095,086</u>
Net Assets Released from Restrictions	<u>4,194,954</u>	<u>771,239</u>
Total Unrestricted Revenue	<u>10,331,527</u>	<u>10,866,325</u>
<u>EXPENSES</u>		
Program Services Expenses		
Program	6,011,100	6,566,717
Support Services Expenses		
Management	196,293	206,703
Fundraising	<u>1,020,706</u>	<u>1,289,426</u>
Total Expenses	<u>7,228,099</u>	<u>8,062,846</u>
Increase in Unrestricted Net Assets	<u>3,103,428</u>	<u>2,803,479</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Change in Temporarily Restricted Net Assets		
Contributions	4,226,075	3,165,577
Other income	68,629	68,401
Special events	81,709	111,018
Sponsorships	24,965	23,289
Donated services and in-kind contributions	388,691	586,190
Direct marketing	75,837	60,000
Grants and trusts	-	106,500
Less: net assets released from restrictions	<u>(4,194,954)</u>	<u>(771,239)</u>
Increase in Temporarily Restricted Net Assets	<u>670,952</u>	<u>3,349,736</u>
Increase in Net Assets	3,774,380	6,153,215
Net Assets, Beginning of Year	<u>12,376,250</u>	<u>6,223,035</u>
Net Assets, End of Year	<u>\$ 16,150,630</u>	<u>\$ 12,376,250</u>

The notes to consolidated financial statements are an integral part of these statements.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u> <u>Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	
Assessments	\$ 87,108	\$ -	\$ -	\$ 87,108
Bad Debt Expense	-	-	54,213	54,213
Conferences / Meetings	75,256	-	11,952	87,208
Depreciation	19,049	13,934	-	32,983
Donated Services / In-kind Contributions	2,433,959	-	112,424	2,546,383
Employee Benefits	361,141	29,091	96,749	486,981
Equipment / Uniforms	31,572	-	-	31,572
Equipment Rent / Maintenance	75,714	395	6,602	82,711
Food	170,544	-	3,690	174,234
Housing	168,714	-	1,216	169,930
Insurance	76,200	-	245	76,445
Interest	9,042	-	-	9,042
Memberships / Dues / Subscriptions	3,496	-	-	3,496
Miscellaneous	-	-	5,000	5,000
Occupancy	179,720	1,692	2,540	183,952
Postage / Shipping	15,184	459	839	16,482
Printing / Production	120,579	5	34,022	154,606
Professional Fees / Consultant	269,651	21,775	274,195	565,621
Recognition	214,765	-	34,266	249,031
Salaries	1,390,579	128,395	369,673	1,888,647
Supplies	92,454	194	3,289	95,937
Telephone	37,546	353	529	38,428
Transportation	40,318	-	4,565	44,883
Travel	49,993	-	221	50,214
Venues	88,516	-	4,476	92,992
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	\$ 6,011,100	\$ 196,293	\$ 1,020,706	\$ 7,228,099
	83%	3%	14%	

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

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>		
Assessments	\$ 73,912	\$ -	\$ -	\$ -	73,912
Bad Debt Expense	-	-	59,210	-	59,210
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	\$ 6,566,717	\$ 206,703	\$ 1,289,426	\$ -	\$ 8,062,846
	81%	3%	16%		

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ <u>3,774,380</u>	\$ <u>6,153,215</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	32,983	41,079
Unrealized and realized (gains) losses on investments	(51,524)	(102,539)
Loss on disposal of fixed assets	-	2,809
Unrealized loss on land held for sale	105,000	88,195
Loss on write off of construction in progress	-	61,704
Donated land	-	(3,200,000)
Change in assets - (increase) decrease		
Pledges receivable	(1,380,150)	(1,824,726)
Accounts receivable	(40,798)	(4,720)
Inventory	(3,684)	3,734
Prepaid expenses	(186,915)	(1,466)
Cash surrender value - life insurance	25,539	(556)
Change in liabilities - increase (decrease)		
Accounts payable	27,492	1,609
Accrued vacation	3,773	14,291
Total Adjustments	<u>(1,468,284)</u>	<u>(4,920,586)</u>
Net Cash Provided by Operating Activities	<u>2,306,096</u>	<u>1,232,629</u>
Cash Flows from Investing Activities		
Purchase of investments	(10,551,761)	(4,210,806)
Proceeds from sale of investments	11,155,791	2,892,745
Cash paid for property and equipment	<u>(2,729,938)</u>	<u>(225,419)</u>
Net Cash Used In Investing Activities	<u>(2,125,908)</u>	<u>(1,543,480)</u>
Cash Flows from Financing Activity		
Principal payments on long-term debt	<u>(40,902)</u>	<u>(38,848)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	139,286	(349,699)
Cash and Cash Equivalents - Beginning of Year	<u>688,999</u>	<u>1,038,698</u>
Cash and Cash Equivalents - End of Year	\$ <u><u>828,285</u></u>	\$ <u><u>688,999</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ <u>9,042</u>	\$ <u>11,097</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. Revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the consolidated 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 securities with readily determinable fair values which are presented 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 \$270,398 and \$757,779 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 were \$59,617 and \$67,443, 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, 2017 and 2016 was \$32,983 and \$41,079, 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.

Consolidated Financial Statement Presentation

Consolidated 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, 2017 and 2016, 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 consolidated 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, 2017 and 2016. The returns of the Organization for 2017 (when filed), 2016, 2015, and 2014 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.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

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

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

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases: Amendments to the FASB Accounting Standards Codification, which amends the existing guidance on accounting for leases, and is effective for fiscal years beginning after December 15, 2019 for entities other than public business entities. This ASU requires the recognition of lease assets and liabilities on the balance sheet and the disclosure of key information about leasing arrangements. Early adoption is permitted and modified retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the consolidated financial statements. The Organization is currently evaluating the impact that this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, which is effective for fiscal years beginning after December 15, 2018 for entities other than public business entities and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts and customers. ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance, and outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and reward. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time, and ensuring the time value of money is considered in the transaction price. ASU 2014-09 can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of adopting ASU 2014-09 on the Organization's consolidated financial statements and related disclosures

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which makes several changes to the current reporting model for nonprofit entities, including the number of net asset classifications, the classification and disclosure of underwater endowments, functional expense disclosures, and other changes. The standard is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Organization is currently evaluating the impact that this guidance will have on its 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.

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

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The 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, 2017 and December 31, 2016.

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.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mutual Funds – Level I		
Small cap blend	\$ -	\$ 29,936
Small cap growth	-	30,117
Mid cap blend	-	74,647
Large blend	-	744,303
Foreign large blend	-	70,510
Short-term bond fund	-	98,518
Intermediate term bond fund	<u>152,611</u>	<u>336,857</u>
Total Mutual Funds	<u>152,611</u>	<u>1,384,888</u>

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

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>2017</u>	<u>2016</u>
Corporate Bonds – Level I	3,829,117	3,248,475
Equities – Level I	99,129	-
Pledges Receivable – Level III	<u>4,600,653</u>	<u>3,220,503</u>
	8,681,510	7,853,866
Less: pledges receivable	<u>(4,600,653)</u>	<u>(3,220,503)</u>
Total Investments	<u>\$ 4,080,857</u>	<u>\$ 4,633,363</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, 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		3,220,503
New pledges		3,949,940
Pledges written off		(53,622)
Pledges paid		(2,523,994)
Change in net present value of long-term pledges		<u>7,826</u>
Balance at December 31, 2017	\$	<u>4,600,653</u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable at December 31, are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 3,740,968	\$ 2,164,235
Receivable in one to five years	<u>859,685</u>	<u>1,056,268</u>
Total	<u>\$ 4,600,653</u>	<u>\$ 3,220,503</u>

Pledges receivable are reported at net realizable value as prescribed by generally accepted accounting principles. The allowance for uncollectible pledges was \$0 and \$40,000 at December 31, 2017 and 2016, respectively.

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

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at December 31, 2017 and 2016:

	Original Cost	Accumulated Depreciation	Net Book Value
<u>2017</u>			
Office Equipment	\$ 68,291	\$ 64,298	\$ 3,993
Program Equipment	46,493	45,857	636
Computer Equipment	296,825	294,609	2,216
Vehicles	218,545	157,088	61,457
Furniture & Fixtures	20,768	18,465	2,303
Construction in Progress	3,309,505	-	3,309,505
Signage	9,620	8,498	1,122
Land	3,200,000	-	3,200,000
	<u>\$ 7,170,047</u>	<u>\$ 588,815</u>	<u>\$ 6,581,232</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	3,200,000	-	3,200,000
	<u>\$ 4,234,206</u>	<u>\$ 559,767</u>	<u>\$ 3,674,439</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. The value of the land held for sale was adjusted as disclosed in Note 5.

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 Missouri, 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 during the year then ended December 31, 2016. Also, \$70,629 of construction in progress related to this land was written off during the year ended December 31, 2016.

During the year ended December 31, 2017, the land's value was adjusted to the appraised value of \$475,000 and an unrealized loss of \$105,000 was recorded.

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

NOTE 6 LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</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. Due to accelerated payments made, the final payment on the debt is scheduled to be June 20, 2021	\$ <u>157,039</u>	\$ <u>197,941</u>

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

Year ending December 31,		
2018		\$ 42,964
2019		45,193
2020		47,529
2021		<u>21,353</u>
		\$ <u>157,039</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

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.

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

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

	December 31, 2017	December 31, 2016
Purpose restrictions for future events	\$ 289,284	\$ 276,314
Pledges, including the Training for Life Campus	4,600,653	3,220,503
Other purpose restrictions, including the Training for Life Campus	<u>2,350,863</u>	<u>3,073,031</u>
Total	<u>\$ 7,240,800</u>	<u>\$ 6,569,848</u>

Restrictions released during 2017 and 2016 were \$4,194,954 and \$771,239, 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 consolidated statements of financial position.

	December 31, 2017	December 31, 2016
Donated Materials, Land, and Facilities Revenue	\$ 1,344,818	\$ 5,025,049
Donated Services Revenue	<u>1,195,928</u>	<u>1,229,607</u>
Total	<u>\$ 2,540,746</u>	<u>\$ 6,254,656</u>

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 for 2017 and 2016. In 2017 and 2016, SOMO matched employee contributions up to 5% and made discretionary contributions of 3%. The total pension plan expense for the years ended December 31, 2017 and 2016 was \$87,302 and \$124,328 respectively.

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

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 \$3,135,200 and \$488,503 to SOMO during the years ended December 31, 2017 and 2016, respectively.

The Organization is related to Special Olympics, Inc. ("SOI"), the international non-profit organization. During the years ended December 31, 2017 and 2016, the Organization paid \$87,108 and \$73,912, 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, 2017 and 2016 totaled \$154,515 and \$163,125, respectively.

Future annual minimum lease payments for facilities are as follows:

Year ending December 31,	
2018	\$ 107,804
2019	57,494
2020	57,631
2021	47,768
2022	<u>15,640</u>
	<u>\$ 286,337</u>

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditors' report, the date the consolidated financial statements were available to be issued.

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2017

	<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	\$ 430,391	\$ 397,894	\$ -	\$ 828,285
Investments	1,200,042	2,555,661	-	3,755,703
Accounts receivable	45,518	-	-	45,518
Pledges receivable - current, net	743,812	2,997,156	-	3,740,968
Inventory	15,662	-	-	15,662
Prepaid expenses	34,974	195,799	-	230,773
Total Current Assets	<u>2,470,399</u>	<u>6,146,510</u>	<u>-</u>	<u>8,616,909</u>
Property and Equipment, Net of Depreciation	<u>6,581,232</u>	<u>-</u>	<u>-</u>	<u>6,581,232</u>
Other Assets				
Long term investments	325,154	-	-	325,154
Due from SEF	350,071	-	(350,071)	-
Pledges receivable - long-term, net	-	859,685	-	859,685
Land held for sale	475,000	-	-	475,000
Cash surrender value-life insurance	-	3,953	-	3,953
Total Other Assets	<u>1,150,225</u>	<u>863,638</u>	<u>(350,071)</u>	<u>1,663,792</u>
Total Assets	<u>\$ 10,201,856</u>	<u>\$ 7,010,148</u>	<u>\$ (350,071)</u>	<u>\$ 16,861,933</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Current portion of long-term debt	\$ 42,964	\$ -	\$ -	\$ 42,964
Due to SOMO	-	350,071	(350,071)	-
Accounts payable	43,922	10,536	-	54,458
Construction payable	385,538	-	-	385,538
Accrued vacation	114,268	-	-	114,268
Total Current Liabilities	<u>586,692</u>	<u>360,607</u>	<u>(350,071)</u>	<u>597,228</u>
Long-Term Debt, Net of Current Portion	114,075	-	-	114,075
Total Liabilities	<u>700,767</u>	<u>360,607</u>	<u>(350,071)</u>	<u>711,303</u>
Net Assets				
Unrestricted:				
Designated for Training for Life Capital Campaign	500,000	-	-	500,000
Undesignated	7,922,993	486,837	-	8,409,830
Total Unrestricted Net Assets	8,422,993	486,837	-	8,909,830
Temporarily Restricted	<u>1,078,096</u>	<u>6,162,704</u>	<u>-</u>	<u>7,240,800</u>
Total Net Assets	<u>9,501,089</u>	<u>6,649,541</u>	<u>-</u>	<u>16,150,630</u>
Total Liabilities and Net Assets	<u>\$ 10,201,856</u>	<u>\$ 7,010,148</u>	<u>\$ (350,071)</u>	<u>\$ 16,861,933</u>

**SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Olympics Missouri, Inc.	SOMO Endowment Fund, Inc.	Eliminations	Total
<u>UNRESTRICTED NET ASSETS</u>				
Revenue and Support				
Contributions	\$ 281,789	\$ 32,799	\$ -	\$ 314,588
Direct marketing	372,322	-	-	372,322
Investment income	84,941	35,559	-	120,500
Unrealized loss on land held for sale	(105,000)	-	-	(105,000)
Other income	153,441	-	-	153,441
Grants and trusts	495,952	-	-	495,952
Special events	2,092,642	-	-	2,092,642
Sponsorships	151,204	-	-	151,204
Donated services and in-kind contributions	2,540,746	-	-	2,540,746
Change in value - life insurance	-	178	-	178
Transfer from SOMO Endowment Fund	3,135,200	-	(3,135,200)	-
Total Revenue and Support	<u>9,203,237</u>	<u>68,536</u>	<u>(3,135,200)</u>	<u>6,136,573</u>
Net Assets Released from Restrictions	<u>706,266</u>	<u>3,488,688</u>	<u>-</u>	<u>4,194,954</u>
Total Unrestricted Revenue	<u>9,909,503</u>	<u>3,557,224</u>	<u>(3,135,200)</u>	<u>10,331,527</u>
<u>EXPENSES</u>				
Program Services Expenses				
Program	6,011,100	3,135,200	(3,135,200)	6,011,100
Support Services Expenses				
Management	187,073	9,220	-	196,293
Fundraising	821,716	198,990	-	1,020,706
Total Expenses	<u>7,019,889</u>	<u>3,343,410</u>	<u>(3,135,200)</u>	<u>7,228,099</u>
Increase in Unrestricted Net Assets	<u>2,889,614</u>	<u>213,814</u>	<u>-</u>	<u>3,103,428</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>				
Change in Temporarily Restricted Net Assets				
Contributions, net	126,264	4,099,811	-	4,226,075
Other income	68,629	-	-	68,629
Special events	81,709	-	-	81,709
Sponsorships	24,965	-	-	24,965
Donated services and in-kind contributions	388,691	-	-	388,691
Direct marketing	75,837	-	-	75,837
Grants and trusts	-	-	-	-
Less: Net assets released from restrictions	<u>(706,266)</u>	<u>(3,488,688)</u>	<u>-</u>	<u>(4,194,954)</u>
Increase in Temporarily Restricted Net Assets	<u>59,829</u>	<u>611,123</u>	<u>-</u>	<u>670,952</u>
Increase in Net Assets	2,949,443	824,937	-	3,774,380
Net Assets, Beginning of Year	<u>6,551,646</u>	<u>5,824,604</u>	<u>-</u>	<u>12,376,250</u>
Net Assets, End of Year	<u>\$ 9,501,089</u>	<u>\$ 6,649,541</u>	<u>\$ -</u>	<u>\$ 16,150,630</u>