

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018 AND 2017



***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* (both non-profit organizations)(collectively, the "Organization") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

Report on Supplementary Information

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 19 and 20 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 2, 2018
St. Louis, Missouri

Mueller Probst LC
Certified Public Accountants

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 193,135	\$ 828,285
Investments	272,376	3,755,703
Accounts receivable	-	45,518
Pledges receivable - current, net	830,340	3,740,968
Inventory	14,051	15,662
Prepaid expenses	29,886	230,773
Total Current Assets	1,339,788	8,616,909
Property and Equipment, Net of Depreciation	14,815,739	6,581,232
Other Assets		
Long-term investments	50,882	325,154
Pledges receivable - long-term, net	557,466	859,685
Land held for sale	475,000	475,000
Cash surrender value-life insurance	3,750	3,953
Total Other Assets	1,087,098	1,663,792
Total Assets	\$ 17,242,625	\$ 16,861,933
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Checks written in excess of cash balance	\$ 2,932	\$ -
Current portion of long-term debt	45,193	42,964
Accounts payable	200,137	54,458
Construction payable	-	385,538
Accrued vacation	112,787	114,268
Total Current Liabilities	361,049	597,228
Long-Term Debt, Net of Current Portion	68,817	114,075
Total Liabilities	429,866	711,303
Net Assets		
Without donor restrictions		
Designated for Training for Life Campus Capital Campaign	-	500,000
Undesignated	15,178,909	8,409,830
Total Net Assets Without Donor Restrictions	15,178,909	8,909,830
With donor restrictions		
Time-restricted for future periods	1,387,806	4,600,653
Purpose restricted	246,044	2,640,147
Total Net Assets With Donor Restrictions	1,633,850	7,240,800
Total Net Assets	16,812,759	16,150,630
Total Liabilities and Net Assets	\$ 17,242,625	\$ 16,861,933

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
Revenue and Support		
Contributions	\$ 782,275	\$ 298,438
Direct marketing	337,360	372,322
Investment income	32,074	120,500
Unrealized loss on land held for sale	-	(105,000)
Other income	183,506	147,750
Grants and trusts	403,534	495,952
Special events	2,367,841	2,092,642
Sponsorships	242,726	151,204
Donated services and in-kind contributions	2,906,081	2,540,746
Change in value - life insurance	(203)	178
Total Revenue and Support	<u>7,255,194</u>	<u>6,114,732</u>
Net Assets Released from Restrictions	<u>6,895,131</u>	<u>4,194,954</u>
Total Revenue	<u>14,150,325</u>	<u>10,309,686</u>
Program Services Expenses		
Program	6,562,879	6,011,100
Support Services Expenses		
Management	259,153	196,293
Fundraising	<u>1,059,214</u>	<u>1,020,706</u>
Total Expenses	<u>7,881,246</u>	<u>7,228,099</u>
Increase in Net Assets without Donor Restrictions	<u>6,269,079</u>	<u>3,081,587</u>
<u>NET ASSETS WITH DONOR RESTRICTIONS</u>		
Change in Net Assets With Donor Restrictions		
Contributions, net	1,026,991	4,242,225
Other income	113,528	74,320
Special events	86,426	81,709
Sponsorships	6,297	24,965
Donated services and in-kind contributions	-	388,691
Direct marketing	54,939	75,837
Less: net assets released from restrictions	<u>(6,895,131)</u>	<u>(4,194,954)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>(5,606,950)</u>	<u>692,793</u>
Increase in Net Assets	662,129	3,774,380
Net Assets, Beginning of Year	<u>16,150,630</u>	<u>12,376,250</u>
Net Assets, End of Year	\$ <u>16,812,759</u>	\$ <u>16,150,630</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, 2018

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Program</u>		<u>Management</u>	<u>Fundraising</u>	
Assessments	\$ 94,358	\$ -	\$ -	\$ -	94,358
Bad Debt Expense	-	-	-	6,477	6,477
Conferences / Meetings	106,217	-	-	13,531	119,748
Depreciation	107,565	-	32,742	317	140,624
Donated Services / In-kind Contributions	2,523,305	-	-	351,194	2,874,499
Employee Benefits	372,997	-	36,408	87,465	496,870
Equipment / Uniforms	87,311	-	-	-	87,311
Equipment Rent / Maintenance	87,017	-	505	7,771	95,293
Food	141,230	-	-	4,923	146,153
Housing	268,195	-	-	305	268,500
Insurance	83,626	-	-	253	83,879
Interest	6,916	-	-	-	6,916
Memberships / Dues / Subscriptions	3,260	-	-	51	3,311
Miscellaneous	113	-	-	17,299	17,412
Occupancy	162,124	-	1,418	2,127	165,669
Postage / Shipping	12,654	-	442	629	13,725
Printing / Production	109,721	-	6	21,127	130,854
Professional Fees / Consultants	305,958	-	24,343	149,535	479,836
Recognition	290,001	-	18	36,795	326,814
Salaries	1,352,044	-	160,918	353,664	1,866,626
Supplies	167,458	-	2,115	3,860	173,433
Telephone	27,238	-	238	356	27,832
Transportation	122,781	-	-	-	122,781
Travel	51,384	-	-	1,011	52,395
Venues	79,406	-	-	524	79,930
Total Functional Expenses	\$ 6,562,879	\$ 259,153	\$ 1,059,214	\$ 7,881,246	
	83%	4%	13%		

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

	<u>Program 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	2,625	-	-	51,588	54,213
Conferences / Meetings	75,336	-	-	11,872	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	78,833	-	395	6,359	85,587
Food	170,544	-	-	3,690	174,234
Housing	164,048	-	-	254	164,302
Insurance	76,200	-	-	245	76,445
Interest	9,042	-	-	-	9,042
Memberships / Dues / Subscriptions	3,496	-	-	-	3,496
Miscellaneous	5,628	-	-	5,000	10,628
Occupancy	179,720	-	1,692	2,540	183,952
Postage / Shipping	15,182	-	459	841	16,482
Printing / Production	120,989	-	5	33,612	154,606
Professional Fees / Consultants	269,651	-	21,775	274,195	565,621
Recognition	214,957	-	-	34,074	249,031
Salaries	1,390,579	-	128,395	369,673	1,888,647
Supplies	94,026	-	194	1,717	95,937
Telephone	37,546	-	353	529	38,428
Transportation	44,783	-	-	100	44,883
Travel	49,993	-	-	221	50,214
Venues	88,516	-	-	1,600	90,116
Total Functional Expenses	\$ 6,024,523	\$ 196,293	\$ 1,007,283	\$ 7,228,099	
	83%	3%	14%		

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ <u>662,129</u>	\$ <u>3,774,380</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	140,624	32,983
Unrealized gains on investments	(1,147)	(51,524)
Loss on disposal of fixed assets	490	-
Unrealized loss on land held for sale	-	105,000
Change in assets - (increase) decrease		
Accounts receivable	45,518	(40,798)
Pledges receivable	3,212,847	(1,380,150)
Inventory	1,611	(3,684)
Prepaid expenses	200,887	(186,915)
Cash surrender value - life insurance	203	25,539
Change in liabilities - increase (decrease)		
Checks written in excess of cash balance	2,932	-
Accounts payable	145,679	27,492
Accrued vacation	(1,481)	3,773
Total Adjustments	<u>3,748,163</u>	<u>(1,468,284)</u>
Net Cash Provided by Operating Activities	<u>4,410,292</u>	<u>2,306,096</u>
Cash Flows from Investing Activities		
Purchase of investments	(5,846,343)	(10,551,761)
Proceeds from sale of investments	9,605,089	11,155,791
Cash paid for property and equipment	<u>(8,761,159)</u>	<u>(2,729,938)</u>
Net Cash Used In Investing Activities	<u>(5,002,413)</u>	<u>(2,125,908)</u>
Cash Flows from Financing Activity		
Principal payments on long-term debt	<u>(43,029)</u>	<u>(40,902)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(635,150)	139,286
Cash and Cash Equivalents - Beginning of Year	<u>828,285</u>	<u>688,999</u>
Cash and Cash Equivalents - End of Year	<u>\$ <u>193,135</u></u>	<u>\$ <u>828,285</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ <u>6,916</u>	\$ <u>9,042</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 with one overarching program 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 perpetually 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 its 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 \$792,576 and \$270,398 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 were \$38,054 and \$59,617, 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:

Building and components	7 - 75 years
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, 2018 and 2017 was \$140,624 and \$32,983, 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

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

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

Consolidated Financial Statement Presentation (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board had designated, from net assets without donor restrictions, net assets for the Training for Life Campus, which were released during the year ended December 31, 2018.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Donated Services / In-kind Contributions

Donated services are recognized as contributions in accordance with Accounting Standards Codification (“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 years 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.

Functional Allocation of Expenses

Expenses are charged to programs and supporting services (which include management and fundraising) 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 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. The expenses that are allocated include events, payroll, payroll taxes, benefits, Torch Runs, Polar Plunges, Over the Edge events, and certain headquarter expenses. Payroll, payroll taxes and benefits are allocated based on monthly employee timesheets which codes each employee’s hours to program, management, or fundraising. State, district and area events are allocated to their state, district, region or area based on the ratio of athletes attending the events. Torch Runs, Polar Plunges, and Over the Edge events are allocated based on the evaluation of the audience, purpose, content and call to action of the joint cost events. Certain headquarter expenses are allocated between program, management and fundraising based on the ratio of square footage occupied by individuals performing each activity. Expenses allocated based on square footage ratio include occupancy, equipment rental, maintenance, telephone, and supplies.

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

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

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 “Financial Accounting Standards Board (“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, 2018 and 2017. The returns of the Organization for 2018 (when filed), 2017, 2016, and 2015 are subject to examination by the respective taxing authorities generally for three years after they were filed.

Reclassifications

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

Adoption of Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly.

Future Accounting Pronouncements

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.

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

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

Future Accounting Pronouncements (continued)

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 consolidated statements of financial position 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.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities of training, coaching instructing and sports education as well oversight of services utilized to support and raise funds for those activities as general expenditures.

The Organization operates within the board approved balanced budget.

As of December 31, 2018, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the consolidated statements of financial position date to meet general expenditures:

Amounts available to be used within one year:	
Cash and cash equivalents	\$ 193,135
Investments	323,258
Pledges receivable, net	<u>1,387,806</u>
Total Financial Assets at Year End	<u>1,904,199</u>
Less: amounts not available to be used within one year:	
Long term investments	(50,882)
Pledges receivable – long-term, net	(557,466)
Net assets with donor restrictions, excluding pledges receivable time restrictions	<u>(246,044)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,049,807</u>

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

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

Special Olympics Missouri, Inc. has a \$1,000,000 board approved line of credit available through June 6, 2019 to meet cash needs for general expenditures, as further described in Note 8. The line of credit is not subject to donor or other contractual restrictions. Funds are immediately available to draw upon in the event of an unanticipated liquidity need. As of December 31, 2018, \$1,000,000 remained available on the line-of-credit.

NOTE 3 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.

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, 2018 and December 31, 2017.

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.

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 3 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual Funds – Level I		
Intermediate term bond fund	\$ _____ -	\$ _____ 152,611
Corporate Bonds – Level I	323,258	3,829,117
Equities – Level I	-	99,129
Pledges Receivable – Level III	<u>1,387,806</u>	<u>4,600,653</u>
	1,711,064	8,681,510
Less: pledges receivable	<u>(1,387,806)</u>	<u>(4,600,653)</u>
Total Investments	<u>\$ 323,258</u>	<u>\$ 4,080,857</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, 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	4,600,653	
New pledges	442,424	
Pledges paid	(3,676,834)	
Change in net present value of long-term pledges	<u>21,563</u>	
Balance at December 31, 2018	<u>\$ 1,387,806</u>	

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at December 31, are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 830,340	\$ 3,740,968
Receivable in one to five years	<u>557,466</u>	<u>859,685</u>
Total	<u>\$ 1,387,806</u>	<u>\$ 4,600,653</u>

Pledges receivable are reported at net realizable value as prescribed by generally accepted accounting principles. There was no allowance for uncollectible pledges at December 31, 2018 and 2017.

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

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment were comprised of the following at December 31, 2018 and 2017:

	Original Cost	Accumulated Depreciation	Net Book Value
<u>2018</u>			
Office Equipment	\$ 380,726	\$ 60,926	\$ 319,800
Program Equipment	166,019	18,803	147,216
Computer Equipment	135,928	111,060	24,868
Vehicles	193,580	155,601	37,979
Furniture & Fixtures	98,662	8,186	90,476
Building & Components	11,072,635	102,832	10,969,803
Signage	26,046	449	25,597
Land	<u>3,200,000</u>	<u>-</u>	<u>3,200,000</u>
Total	<u>\$ 15,273,596</u>	<u>\$ 457,857</u>	<u>\$ 14,815,739</u>
<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	<u>3,200,000</u>	<u>-</u>	<u>3,200,000</u>
Total	<u>\$ 7,170,047</u>	<u>\$ 588,815</u>	<u>\$ 6,581,232</u>

NOTE 6 LAND HELD FOR SALE

The Organization currently owns land held for sale. At December 31, 2018 and 2017, the land's appraised value was \$475,000. 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.

NOTE 7 LONG-TERM DEBT, NET

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

	<u>2018</u>	<u>2017</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>\$ 114,010</u>	<u>\$ 157,039</u>

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

NOTE 7 LONG-TERM DEBT, NET (CONTINUED)

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

Year ending December 31,

2019	\$ 45,193
2020	47,529
2021	<u>21,288</u>
Total	<u>\$ 114,010</u>

NOTE 8 LINE-OF-CREDIT

The Organization maintains a \$1,000,000 line of credit (“LOC”) with Jefferson Bank of Missouri, which was originated on June 6, 2018 and expires on June 6, 2019. The LOC is secured by a construction deed of trust on real property of the Organization and has an interest rate of 4.75% with monthly interest-only payments. There were no amounts outstanding on this LOC as of December 31, 2018.

NOTE 9 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 10 NET ASSETS WITH DONOR RESTRICTIONS

Donor Restricted net assets are comprised of the following:

	2018	2017
Purpose Restricted		
Training for Life Campus	\$ -	\$ 2,305,863
Other purpose restrictions	42,000	45,000
Restricted for specific events	204,044	289,284
Total Purpose Restricted	246,044	2,640,147
Time-Restricted for Future Periods		
Pledges, including the Training for Life Campus	1,387,806	4,600,653
Total	\$ <u>1,633,850</u>	\$ <u>7,240,800</u>

Restrictions released during 2018 and 2017 were \$6,895,131 and \$4,194,954, respectively.

NOTE 11 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.

	2018	2017
Donated Materials and Facilities Revenue	\$ 1,702,057	\$ 1,355,153
Donated Services Revenue	1,204,024	1,193,593
Total	\$ <u>2,906,081</u>	\$ <u>2,548,746</u>

NOTE 12 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 \$18,500 and \$18,000 for 2018 and 2017, respectively. In 2018 and 2017, SOMO matched employee contributions up to 5% and made discretionary contributions of 3%. The total retirement plan expense for the years ended December 31, 2018 and 2017 was \$106,947 and \$87,302 respectively.

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

NOTE 13 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 \$3,613,147 and \$3,135,200 to SOMO during the years ended December 31, 2018 and 2017, respectively.

The Organization is related to Special Olympics, Inc. ("SOI"), the international non-profit organization. During the years ended December 31, 2018 and 2017, the Organization paid \$94,358 and \$87,108, respectively, for assessments due to SOI.

NOTE 14 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, 2018 and 2017 totaled \$129,521 and \$154,515, respectively.

Future annual minimum lease payments for facilities are as follows:

Year ending December 31,	
2019	\$ 57,494
2020	57,631
2021	46,868
2022	18,768
Total	<u>\$ 180,761</u>

NOTE 15 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, 2018**

	Special Olympics Missouri, Inc.	SOMO Endowment Fund, Inc.	Eliminations	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ -	\$ 193,135	\$ -	\$ 193,135
Investments	272,376	-	-	272,376
Pledges receivable - current, net	529,458	300,882	-	830,340
Inventory	14,051	-	-	14,051
Prepaid expenses	29,886	-	-	29,886
Total Current Assets	<u>845,771</u>	<u>494,017</u>	<u>-</u>	<u>1,339,788</u>
Property and Equipment, Net of Depreciation	<u>14,815,739</u>	<u>-</u>	<u>-</u>	<u>14,815,739</u>
Other Assets				
Long-term investments	50,882	-	-	50,882
Due from SEF	-	-	-	-
Pledges receivable - long-term, net	-	557,466	-	557,466
Land held for sale	475,000	-	-	475,000
Cash surrender value-life insurance	-	3,750	-	3,750
Total Other Assets	<u>525,882</u>	<u>561,216</u>	<u>-</u>	<u>1,087,098</u>
Total Assets	<u>\$ 16,187,392</u>	<u>\$ 1,055,233</u>	<u>\$ -</u>	<u>\$ 17,242,625</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Checks written in excess of cash balance	\$ 2,932	\$ -	\$ -	\$ 2,932
Current portion of long-term debt	45,193	-	-	45,193
Accounts payable	198,737	1,400	-	200,137
Accrued vacation	112,787	-	-	112,787
Total Current Liabilities	<u>359,649</u>	<u>1,400</u>	<u>-</u>	<u>361,049</u>
Long-Term Debt, Net of Current Portion	<u>68,817</u>	<u>-</u>	<u>-</u>	<u>68,817</u>
Total Liabilities	<u>428,466</u>	<u>1,400</u>	<u>-</u>	<u>429,866</u>
Net Assets				
Without donor restrictions	<u>14,983,424</u>	<u>195,485</u>	<u>-</u>	<u>15,178,909</u>
With donor restrictions				
Time-restricted for future periods	529,458	858,348	-	1,387,806
Purpose restricted	246,044	-	-	246,044
Total Net Assets With Donor Restrictions	<u>775,502</u>	<u>858,348</u>	<u>-</u>	<u>1,633,850</u>
Total Net Assets	<u>15,758,926</u>	<u>1,053,833</u>	<u>-</u>	<u>16,812,759</u>
Total Liabilities and Net Assets	<u>\$ 16,187,392</u>	<u>\$ 1,055,233</u>	<u>\$ -</u>	<u>\$ 17,242,625</u>

SPECIAL OLYMPICS MISSOURI, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Olympics Missouri, Inc.	SOMO Endowment Fund, Inc.	Eliminations	Total
<u>Net Assets without Donor Restrictions</u>				
Revenue and Support				
Contributions	\$ 759,711	\$ 22,564	\$ -	\$ 782,275
Direct marketing	337,360	-	-	337,360
Investment income	22,562	9,512	-	32,074
Other income	183,506	-	-	183,506
Grants and trusts	403,534	-	-	403,534
Special events	2,367,841	-	-	2,367,841
Sponsorships	242,726	-	-	242,726
Donated services and in-kind contributions	2,906,081	-	-	2,906,081
Change in value - life insurance	-	(203)	-	(203)
Transfer from SOMO Endowment Fund	3,613,147	-	(3,613,147)	-
Total Revenue and Support	<u>10,836,468</u>	<u>31,873</u>	<u>(3,613,147)</u>	<u>7,255,194</u>
Net Assets Released from Restrictions	<u>3,448,867</u>	<u>3,446,264</u>	<u>-</u>	<u>6,895,131</u>
Total Revenue without Donor Restrictions	<u>14,285,335</u>	<u>3,478,137</u>	<u>(3,613,147)</u>	<u>14,150,325</u>
Program Services Expenses				
Program	6,562,879	3,613,147	(3,613,147)	6,562,879
Support Services Expenses				
Management	255,887	3,266	-	259,153
Fundraising	906,138	153,076	-	1,059,214
Total Expenses	<u>7,724,904</u>	<u>3,769,489</u>	<u>(3,613,147)</u>	<u>7,881,246</u>
Increase (Decrease) in Net Assets without Donor Restrictions	<u>6,560,431</u>	<u>(291,352)</u>	<u>-</u>	<u>6,269,079</u>
<u>Net Assets with Donor Restrictions</u>				
Change in Net Assets with Donor Restrictions				
Contributions, net	201,922	825,069	-	1,026,991
Other income	113,528	-	-	113,528
Special events	86,426	-	-	86,426
Sponsorships	6,297	-	-	6,297
Direct marketing	54,939	-	-	54,939
Less: net assets released from restrictions	(3,448,867)	(3,446,264)	-	(6,895,131)
Decrease in Net Assets with Donor Restrictions	<u>(2,985,755)</u>	<u>(2,621,195)</u>	<u>-</u>	<u>(5,606,950)</u>
Increase (Decrease) in Net Assets	3,574,676	(2,912,547)	-	662,129
Net Assets, Beginning of Year, as Originally Stated	<u>9,501,089</u>	<u>6,649,541</u>	<u>-</u>	<u>16,150,630</u>
Prior Period Adjustment	<u>2,683,161</u>	<u>(2,683,161)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year, as Restated	<u>12,184,250</u>	<u>3,966,380</u>	<u>-</u>	<u>16,150,630</u>
Net Assets, End of Year	<u>\$ 15,758,926</u>	<u>\$ 1,053,833</u>	<u>\$ -</u>	<u>\$ 16,812,759</u>