



Special Olympics
Colorado

**Financial Statements
and
Independent Auditors' Report
December 31, 2017
(With Summarized Totals for December 31, 2016)**

EKS&H

SPECIAL OLYMPICS COLORADO

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Special Olympics Colorado
Englewood, Colorado

We have audited the accompanying financial statements of Special Olympics Colorado (the "Organization"), which are comprised of the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Special Olympics Colorado
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Colorado as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Denver, Colorado
June 22, 2018

SPECIAL OLYMPICS COLORADO

Statement of Financial Position

	December 31, 2017	Summarized Financial Information for 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 2,272,308	\$ 1,938,427
Short-term cash investments	332,607	331,572
Accounts receivable	52,270	53,084
Prepaid expenses and deposits	<u>32,022</u>	<u>33,787</u>
Total current assets	<u>2,689,207</u>	<u>2,356,870</u>
Non-current assets		
Beneficial interest in perpetual trust	567,664	515,000
Property and equipment, net	<u>102,809</u>	<u>28,949</u>
Total non-current assets	<u>670,473</u>	<u>543,949</u>
Total assets	<u>\$ 3,359,680</u>	<u>\$ 2,900,819</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 126,426	\$ 79,773
Accrued liabilities	173,205	166,010
Deferred revenue	<u>135,085</u>	<u>177,740</u>
Total liabilities	<u>434,716</u>	<u>423,523</u>
Net assets		
Unrestricted net assets		
Board-designated	500,000	500,000
Undesignated	<u>1,857,300</u>	<u>1,462,296</u>
Total unrestricted net assets	2,357,300	1,962,296
Permanently restricted	<u>567,664</u>	<u>515,000</u>
Total net assets	<u>2,924,964</u>	<u>2,477,296</u>
Total liabilities and net assets	<u>\$ 3,359,680</u>	<u>\$ 2,900,819</u>

See notes to financial statements.

SPECIAL OLYMPICS COLORADO

Statement of Activities

	For the Year Ended December 31, 2017				Summarized
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Financial Information for 2016
Public support					
Contributions and sponsorships	\$ 2,970,773	\$ -	\$ -	\$ 2,970,773	\$ 2,781,840
Direct marketing contributions	212,591	-	-	212,591	233,746
Grants	923,315	-	-	923,315	684,391
In-kind contributions	2,216,790	-	-	2,216,790	1,626,809
Special events, net expense of \$49,171 (2017) and \$58,603 (2016)	107,114	-	-	107,114	86,104
Total public support	6,430,583	-	-	6,430,583	5,412,890
Revenue					
Merchandise sales	68,503	-	-	68,503	64,684
Investment income	24,324	-	-	24,324	23,055
Change in value of perpetual trust	-	-	52,664	52,664	(5,395)
Total revenue	92,827	-	52,664	145,491	82,344
Total public support and revenue	6,523,410	-	52,664	6,576,074	5,495,234
Expenses					
Program services - competitions and training	4,746,540	-	-	4,746,540	4,163,336
Administration and general	215,118	-	-	215,118	247,417
Fundraising	1,166,748	-	-	1,166,748	884,695
Total expenses	6,128,406	-	-	6,128,406	5,295,448
Change in net assets	395,004	-	52,664	447,668	199,786
Net assets at beginning of year	1,962,296	-	515,000	2,477,296	2,277,510
Net assets at end of year	\$ 2,357,300	\$ -	\$ 567,664	\$ 2,924,964	\$ 2,477,296

See notes to financial statements.

SPECIAL OLYMPICS COLORADO

Statement of Cash Flows

	For the Year Ended December 31, 2017	Summarized Financial Information for 2016
Cash flows from operating activities		
Change in net assets	<u>\$ 447,668</u>	<u>\$ 199,786</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	36,403	15,022
Contributed investments	(986)	(26,774)
Change in value of perpetual trust	(52,664)	5,395
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	814	(31,403)
Decrease (increase) in prepaid expenses and deposits	1,765	(10,824)
Increase in accounts payable	46,653	30,478
Increase in accrued liabilities	7,195	20,101
(Decrease) increase in deferred revenue	<u>(42,655)</u>	<u>131,640</u>
	<u>(3,475)</u>	<u>133,635</u>
Net cash provided by operating activities	<u>444,193</u>	<u>333,421</u>
Cash flows from investing activities		
Purchase of property and equipment	(110,263)	(15,207)
Purchase of investments	<u>(49)</u>	<u>(43)</u>
Net cash used in investing activities	<u>(110,312)</u>	<u>(15,250)</u>
Net increase in cash and cash equivalents	333,881	318,171
Cash and cash equivalents at beginning of year	<u>1,938,427</u>	<u>1,620,256</u>
Cash and cash equivalents at end of year	<u>\$ 2,272,308</u>	<u>\$ 1,938,427</u>

See notes to financial statements.

SPECIAL OLYMPICS COLORADO

Statement of Functional Expenses

	For the Year Ended December 31, 2017					Summarized Financial Information for 2016
	Competitions and Training	Administration and General	Fundraising	Special Event Expense	Total	
Salaries, payroll taxes, and benefits	\$ 1,512,149	\$ 156,097	\$ 401,179	\$ -	\$ 2,069,425	\$ 2,023,594
Direct marketing and public education	44,985	-	57,253	-	102,238	124,978
Incentives	6,104	-	3,879	5,848	15,831	9,030
Facilities and occupancy	259,644	10,203	39,456	-	309,303	259,530
Lodging, meals, and transportation	187,886	1,645	12,102	-	201,633	190,326
Fees, permits, and dues	60,308	1,734	8,416	-	70,458	63,148
Office supplies	48,619	1,908	5,640	-	56,167	39,729
Postage	6,879	548	2,527	-	9,954	9,202
Computer	11,077	2,203	2,929	-	16,209	7,143
Event expenses	-	-	93,901	35,129	129,030	110,988
Uniforms and equipment	277,891	-	71	-	277,962	338,416
Insurance	33,636	3,064	7,237	-	43,937	37,109
Recognition	115,253	663	41,692	8,194	165,802	120,243
Printing and publications	41,393	252	8,836	-	50,481	36,478
Merchandise	72,444	-	9,822	-	82,266	86,072
Advertising	12,924	-	24,123	-	37,047	15,787
Professional fees	-	16,737	-	-	16,737	16,246
Miscellaneous and other expenses	122,462	8,964	72,161	-	203,587	163,069
Payments to SOI	66,317	-	-	-	66,317	61,132
In-kind materials, facilities, and services	<u>1,839,553</u>	<u>4,950</u>	<u>372,287</u>	<u>-</u>	<u>2,216,790</u>	<u>1,626,809</u>
Total expenses before depreciation	4,719,524	208,968	1,163,511	49,171	6,141,174	5,339,029
Depreciation	<u>27,016</u>	<u>6,150</u>	<u>3,237</u>	<u>-</u>	<u>36,403</u>	<u>15,022</u>
Total expenses and direct benefits to donors	4,746,540	215,118	1,166,748	49,171	6,177,577	5,354,051
Costs of direct benefits to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,171)</u>	<u>(49,171)</u>	<u>(58,603)</u>
Total expenses	<u>\$ 4,746,540</u>	<u>\$ 215,118</u>	<u>\$ 1,166,748</u>	<u>\$ -</u>	<u>\$ 6,128,406</u>	<u>\$ 5,295,448</u>

See notes to financial statements.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Special Olympics Colorado (the "Organization") is authorized and accredited by Special Olympics, Inc. ("SOI") to provide year-round sports training and athletic competition in a variety of Olympic-type sports for individuals with developmental disabilities, giving them continuing opportunities to develop physical fitness; demonstrate courage; experience joy; and participate in the sharing of gifts, skills, and friendship with their families, other Special Olympians, and the community. The Organization was incorporated in the state of Colorado in 1972 and operates through a central state office with various local programs throughout the state.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization follows Financial Accounting Standards Board ("FASB") guidance in Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs. The Organization did not have any temporarily restricted net assets as of December 31, 2017.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by donors, but the Organization is permitted to use or expend part or all of any income derived from those assets.

Prior-Year Comparative Information

The financial statements include certain prior-year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributions

In accordance with accounting standards, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. Restrictions met in the same period in which the related contributions are received are recorded as unrestricted support.

Contributions Receivable

Unconditional pledges are recognized as revenues in the period the pledge is received. Pledges are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Deferred Revenue

Deferred revenue consists of funds received from grants for programs in which the expenses will be incurred in a future period. The revenue will be recognized in applicable future periods when the services are provided and the related expenses are incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents unless they are held for reinvestment as part of the investment portfolio or otherwise encumbered.

Investments

Investments in equity securities with readily determinable fair values are reported at their fair values on the statement of financial position. Investment income, gains, and losses are reported on the statement of activities.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Fair Value Accounting

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of money market accounts, investment securities, and contributions receivable. The Organization places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. As of December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$958,000.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to seven years.

Contributed Facilities, Goods, and Services

Contributed facilities and goods are recorded at fair value on the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of facilities and goods are recorded as unrestricted support.

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services unless they meet the criteria of recognition under GAAP.

Functional Expenses

The costs of providing grants, programs, and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2017 was \$369,678, which included \$332,631 of in-kind contributions.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Allocation of Joint Costs

During 2017, the Organization incurred marketing and public education costs of \$102,238 for informational materials and activities that included fundraising appeals. Of these costs, \$44,985 was allocated to program services expense, and \$57,253 was allocated to fundraising expense for the year ended December 31, 2017.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, as such, is subject to federal income taxes on unrelated business income. The Organization had no unrelated business income during the year ended December 31, 2017.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken, or expected to be taken, in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as administration and general expense. No interest or penalties have been assessed as of December 31, 2017.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendment applies to all not-for-profit entities. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removed the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expiration of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In May 2014, the FASB issued ASU No. 2014, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the industry topics of the codification. Under ASU No. 2014, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. ASU No. 2014 is effective for the Organization's 2019 fiscal year and allows for either full retrospective or modified retrospective adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends the FASB ASC and creates Topic 842, *Leases*. The new topic supersedes ASC Topic 840, *Leases*, and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and requires disclosures of key information about leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2019. ASU No. 2016-02 mandates a modified retrospective transition method.

The Organization is currently evaluating the impact of these standards on its financial statements.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued.

Note 2 - Short-Term Cash Investments

The Organization's short-term cash investments at December 31, 2017 consist of \$332,607 in money market funds carried at fair value. Investment income in 2017 consists of interest income and reinvested dividends of \$49.

Note 3 - Fair Value Measurement of Investments

The Organization utilizes a fair value hierarchy that prioritizes observable inputs used to measure fair value, which are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 3 - Fair Value Measurement of Investments (continued)

Level 2: Other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following assets are measured at fair value on a recurring basis as of December 31, 2017:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets held in money market mutual fund	<u>\$ 332,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,607</u>

The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Money market mutual fund: Valued at the closing price reported on the active market on which the individual securities are traded.

There were no changes to the valuation methodology during the year ended December 31, 2017.

Note 4 - Beneficial Interest in Perpetual Trust

The Organization was named the beneficiary of 4% of the assets held in the Jacqueline Grace Archer Charitable Trust (the "Trust"). The Trust was created to continue in perpetuity. The Organization's interest in the Trust's assets increased during 2017 by \$52,664, which is recorded on the statement of activities. The income distributed from the Trust assets to the Organization in 2017 totaled \$20,495 and is restricted for use in the Colorado Springs area. At December 31, 2017, the fair value of the assets held by the Trust for the benefit of the Organization was \$567,664 and is included on the statement of financial position as beneficial interest in perpetual trust.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 5 - Property and Equipment

The Organization's property and equipment consists of the following as of December 31, 2017:

Office furniture and equipment	\$	140,061
Program equipment		126,247
Less accumulated depreciation		<u>(163,499)</u>
	\$	<u>102,809</u>

Note 6 - Employee Benefit Plan

The Organization has a tax-sheltered annuity retirement plan (the "Plan") covering all eligible full-time employees. Full-time employees are eligible for employer contributions to the Plan on the first day of the month following the later of (1) 90 days following the employee's commencement date or (2) the employee's attainment of age 18. Each Plan year, the Organization determines the amount to contribute to the Plan. For the year ended December 31, 2017, the Organization did not make any contributions to the Plan. Plan participants are eligible to contribute up to 100% of their earnings, not to exceed the amount established by law.

Note 7 - Board-Designated Operating Reserve

The Organization's Board of Directors previously voted to set aside \$500,000 as an operating reserve to be used for future program and contingency matters.

Note 8 - Permanently Restricted Net Assets

The permanently restricted net assets represent the Organization's beneficial interest in a perpetual trust (Note 4). The amount of permanently restricted net assets at December 31, 2017 was \$567,664.

Note 9 - Operating Leases

The Organization leases office space, storage space, and equipment under non-cancelable operating lease agreements that require monthly payments totaling approximately \$12,000. The office lease increases every 12 months over the term of the lease until expiration at June 30, 2018. The Organization entered into a new office lease subsequent to year end that commences July 2018 and has a term through June 2026.

SPECIAL OLYMPICS COLORADO

Notes to Financial Statements

Note 9 - Operating Leases (continued)

Amounts due under these lease agreements are as follows:

For the Year Ending December 31,

2018	\$	91,543
2019		77,409
2020		140,180
2021		144,531
2022		132,243
Thereafter		<u>494,333</u>
	\$	<u>1,080,239</u>

Facilities rent expense for the year ended December 31, 2017 was \$176,683.

Note 10 - Related Party

The Organization is accredited by SOI to conduct Special Olympics activities within the state of Colorado. During 2017, the Organization recognized contribution and grant revenue of \$528,616 from SOI. The contribution and grant revenue is received by SOI on behalf of the Organization and then remitted to the Organization. During 2017, the Organization paid \$66,317 to SOI in assessment and conference fees. As of December 31, 2017, the Organization had accounts receivable from SOI of \$29,000.

Note 11 - Contributed Services, Goods, and Facilities

Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values on the date of donation. In-kind contributions consisted of the following at December 31, 2017:

Goods, food, and supplies	\$	640,497
Coaching services		1,071,576
Advertising		332,631
Facilities and hotel rooms		<u>172,086</u>
Total in-kind revenue and expenses	\$	<u>2,216,790</u>