Special Olympics Colorado

Financial Report
December 31, 2018

Contents

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Independent Auditor's Report

To the Board of Directors
Special Olympics Colorado

We have audited the accompanying financial statements of Special Olympics Colorado (the "Organization"), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Colorado as of December 31, 2018 and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2 to the financial statements, Special Olympics Colorado adopted the provisions under Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

To the Board of Directors
Special Olympics Colorado

Report on Summarized Comparative Information

The financial statements of Special Olympics Colorado as of December 31, 2017 were audited by EKS&H LLLP, whose report dated June 22, 2018 expressed an unqualified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Plante & Moran, PLLC

June 26, 2019

Statement of Financial Position

December 31, 2018
(with summarized comparative totals for December 31, 2017)

	2018	2017
Assets		
Current Assets		
Cash	$ 2,721,895	$ 2,272,308
Short-term cash investments	467,738	332,607
Accounts receivable	28,123	52,270
Prepaid expenses and deposits	53,519	32,022
Total current assets	3,271,275	2,689,207
Other Assets - Beneficial interest in perpetual trust	512,346	567,664
Property and Equipment - Net	347,008	102,809
Total noncurrent assets	859,354	670,473
Total assets	**$ 4,130,629**	**$ 3,359,680**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 80,542	$ 126,426
Accrued liabilities	283,260	173,205
Deferred revenue	203,087	135,085
Total current liabilities	566,889	434,716
Total liabilities	566,889	434,716
Net Assets		
Net assets without donor restrictions:		
Board designated	500,000	500,000
Undesignated	2,551,394	1,857,300
Total net assets without donor restrictions	3,051,394	2,357,300
Net assets with donor restrictions	512,346	567,664
Total net assets	3,563,740	2,924,964
Total liabilities and net assets	**$ 4,130,629**	**$ 3,359,680**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018

(with summarized comparative totals for the year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Contributions and sponsorships	$ 3,887,366	$ -	$ 3,887,366	$ 2,970,773
Direct marketing contributions	176,472	-	176,472	212,591
Merchandise sales	74,900	-	74,900	68,503
In-kind contributions	2,399,481	-	2,399,481	2,216,790
Grants	932,527	-	932,527	923,315
Investment income	32,335	-	32,335	24,324
Change in value of perpetual trust	-	(55,318)	(55,318)	52,664
Special events - Net of expense of $27,049 (2018) and $49,171 (2017)	129,260	-	129,260	107,114
Total revenue, gains, and other support	7,632,341	(55,318)	7,577,023	6,576,074
Expenses				
Competitions and training	5,456,483	-	5,456,483	4,679,426
Administration and general	358,951	-	358,951	282,232
Fundraising	1,122,813	-	1,122,813	1,166,748
Total expenses	6,938,247	-	6,938,247	6,128,406
Increase (Decrease) in Net Assets	694,094	(55,318)	638,776	447,668
Net Assets - Beginning of year	2,357,300	567,664	2,924,964	2,477,296
Net Assets - End of year	**$ 3,051,394**	**$ 512,346**	**$ 3,563,740**	**$ 2,924,964**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	2018					
	Competitions and Training	Administration and General	Fundraising	Special Event Expense	Total	2017
Salaries, payroll taxes, and benefits	$ 1,788,522	$ 184,802	$ 445,709	$ -	$ 2,419,033	$ 2,069,425
Direct marketing and public education	38,982	-	49,614	-	88,596	102,238
Incentives	4,717	-	10,959	2,406	18,082	15,831
Facilities and occupancy	328,844	11,575	44,700	-	385,119	309,303
Lodging, meals, and transportation	277,792	2,909	12,856	-	293,557	201,633
Fees, permits, and dues	66,695	1,833	12,577	-	81,105	70,458
Office supplies	31,558	1,528	7,637	-	40,723	56,167
Postage	6,311	263	2,607	-	9,181	9,954
Computer	8,694	1,055	2,106	-	11,855	16,209
Event expenses	13,635	-	95,571	23,762	132,968	129,030
Uniforms and equipment	355,487	-	-	-	355,487	277,962
Insurance	36,775	1,935	7,354	-	46,064	43,937
Recognition	104,939	503	33,859	881	140,182	165,802
Printing and publications	36,801	404	8,330	-	45,535	50,481
Merchandising	37,178	-	6,795	-	43,973	82,266
Advertising	1,056	-	28,474	-	29,530	37,047
Professional fees	346	17,513	-	-	17,859	16,737
Miscellaneous and other expenses	167,922	23,938	85,919	-	277,779	203,587
Payments to SOI	-	73,082	-	-	73,082	66,317
In-kind materials, facilities, and services	2,121,016	15,515	262,950	-	2,399,481	2,216,790
Depreciation	29,651	21,658	4,796	-	56,105	36,403
Total functional expenses	**$ 5,456,921**	**$ 358,513**	**$ 1,122,813**	**$ 27,049**	**$ 6,965,296**	**$ 6,177,577**

See notes to financial statements.

Statement of Cash Flows

Year Ended December 31, 2018
(with summarized comparative totals for the year ended December 31, 2017)

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ 638,776	$ 447,668
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	56,105	36,403
Contributed investments	(2,285)	(986)
Change in value of perpetual trust	55,318	(52,664)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	24,147	814
Prepaid expenses and deposits	(21,497)	1,765
Accounts payable	(45,884)	46,653
Accrued liabilities	110,055	7,195
Deferred revenue	68,002	(42,655)
Net cash provided by operating activities	882,737	444,193
Cash Flows from Investing Activities		
Purchase of property and equipment	(300,304)	(110,263)
Purchases of investments	(132,846)	(49)
Net cash used in investing activities	(433,150)	(110,312)
Net Increase in Cash	449,587	333,881
Cash - Beginning of year	2,272,308	1,938,427
Cash - End of year	**$ 2,721,895**	**$ 2,272,308**

See notes to financial statements.

Note 1 - Nature of Business

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 operated through a central state office with various local programs throughout the state.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Organization maintains its accounting records and prepares its financial statements on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors regarding purpose and/or time. Donor restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions if the restriction is satisfied during the year.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. December 31, 2017 information is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2017 financial statements, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

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

The Organization considers all investments with an original maturity of three months or less when purchased to be cash, unless they are held for reinvestment as part of the investment portfolio or otherwise encumbered. As of the balance sheet date, and periodically throughout the year, the Organization maintained balances in various deposit accounts in excess of federally insured limits.

Investments

U.S. Treasury bills and mutual funds with readily determinable market values are recorded at fair value based on quoted prices in active markets and marked to market with any unrealized gain or loss recorded in investment income.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. Donated fixed assets are capitalized at fair value at the date of donation.

Contributed Facilities, Goods, and Services

Contributed facilities and goods are recorded at fair value on the date of donation. If donors stipulate how long these assets must be used, the contributions are recorded as with donor restrictions. In the absense of such stipulations, contributions of facilities and goods are recorded as without donor restrictions.

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tests 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.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Expenses incurred directly for a program are charged to such program. Certain costs have been allocated between programs and support services on several bases and estimates. Certain wages and benefits have been allocated based on time and effort. Other costs are allocated based on department usage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the year ended December 31, 2018 was $172,932, which included $143,402 of in-kind contributions.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Organization had no unrelated business income during the year ended December 31, 2018.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization is still assessing the impact of this ASU to its financial reporting.

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 effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of January 1, 2018, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities*, and applied the standard retrospectively to all years presented. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information as of December 31, 2017 has been restated as follows: net assets of $567,664 previously reported as permanently restricted net assets have been reported as net assets with donor restrictions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 26, 2019, which is the date the financial statements were available to be issued.

Grant Revenue

Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

Note 3 - Liquidity and Availability of Resources

The Organization maintains liquid financial assets sufficient to cover 120 days of general expenditures. Financial assets in excess of daily cash requirements are invested mostly in treasury bills.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include net assets with donor-imposed restrictions (see Note 6) that are intended to fund expenses that are not included in the annual operating budget.

Cash	$ 2,721,895
Short-term cash investments	467,738
Accounts receivable	28,123
Beneficial interest in perpetual trust	512,346
Financial assets - At year end	3,730,102
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	512,346
Board designations	500,000
Financial assets available to meet cash needs for general expenditures within one year	$ 2,717,756

Note 4 - Short-term Cash Investments

The Organization's short-term cash investments at December 31, 2018 consist of $464,771 in United States Treasury bills and $2,967 in mutual funds carried at fair value. Investment income in 2018 consists of interest income and reinvested dividends of $234.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2018 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
United States Treasury bills	$ 464,771	$ -	$ -	$ 464,771
Mutual funds	2,967	-	-	2,967
Beneficial interest in perpetual trust	-	-	512,346	512,346
Total assets	$ 467,738	$ -	$ 512,346	$ 980,084

The Organization values United States Treasury bills and mutual funds using 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, 2018.

Level 3 assets include a perpetual trust (see Note 6) recorded at fair value based on the value of the underlying trust assets.

Note 6 - Beneficial Interest in Assets Held by Third Parties

The Organization is named as the beneficiary of 4 percent 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 decreased during 2018 by $55,318, which is recorded on the statement of activities and changes in net assets. The income distributed from the Trust assets to the Organization in 2018 totaled $17,778 and is restricted for use in the Colorado Springs area. At December 31, 2018, the fair value of the assets held by the Trust for the benefit of the Organization was $512,346 and is included on the statement of financial position as beneficial interest in perpetual trust, which comprises the balance in net assets with donor restrictions.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

Program equipment	$	139,041
Furniture and fixtures		297,074
Accumulated depreciation		89,107
Net property and equipment	$	347,008

Depreciation expense for the year ended December 31, 2018 was $56,105.

Note 8 - 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, 2018, the Organization did not make any contributions to the Plan. Plan participants are eligible to contribute up to 100 percent of their earnings, not to exceed the amount established by law.

Note 9 - 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 needs.

Note 10 - Operating Leases

The Organization is obligated under operating leases primarily for office space, storage space, and equipment, expiring at various dates through 2026. Total rent expense for the year ended December 31, 2018 was $165,691.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31		Amount
2019	$	91,911
2020		154,682
2021		159,033
2022		146,745
2023		141,044
Thereafter		358,122
Total	$	1,051,537

Note 11 - Related Party Transactions

The Organization is accredited by SOI to conduct Special Olympics activities within the state of Colorado. During 2018, the Organization recognized contribution and grant revenue of $703,537 from SOI. The contribution and grant revenue is received by SOI on behalf of the Organization and then remitted to the Organization. During 2018, the Organization paid $73,082 to SOI in assessment and conference fees. As of December 31, 2018, the Organization had accounts receivable from SOI of $20,000.

Effective January 1, 2019, the Organization partnered with SOI whereby SOI conducts the Organization's direct fundraising campaigns; as a result, SOI solicits and collects the direct fundraising campaign proceeds, retains approximately 40 percent to 50 percent of funds raised, and forwards the remaining approximately 50 percent to 60 percent to the Organization.

Note 12 - 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, 2018:

Goods, food, and supplies	$ 970,321
Coaching services	1,046,622
Advertising	143,402
Facilities and hotel rooms	239,136
Total	$ 2,399,481