

SPECIAL OLYMPICS IOWA, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Special Olympics Iowa, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Iowa, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, 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 the 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 Iowa, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and our report dated June 4, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
June 18, 2015

SPECIAL OLYMPICS IOWA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 WITH
COMPARATIVE TOTALS FOR 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,715,364	\$ 1,556,456
Investments	332,065	312,162
Accounts receivable	94,754	63,085
Prepaid expenses	42,018	43,431
Unconditional promises to give	39,790	49,007
Property and equipment, net of accumulated depreciation	1,894,406	1,956,311
Beneficial interest in trust	163,562	161,702
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,281,959</u>	<u>\$ 4,142,154</u>
 LIABILITIES		
Accounts payable - trade	\$ 11,950	\$ 12,165
Accrued expenses	24,029	65,718
	<u> </u>	<u> </u>
TOTAL LIABILITIES	35,979	77,883
 NET ASSETS		
Unrestricted net assets	3,953,214	3,724,262
Temporarily restricted net assets	129,204	178,307
Permanently restricted net assets	163,562	161,702
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>4,245,980</u>	<u>4,064,271</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,281,959</u>	<u>\$ 4,142,154</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS IOWA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014 WITH
COMPARATIVE TOTALS FOR 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUES		
Contributions	\$ 910,807	\$ 988,218
Fundraising	1,374,078	1,067,522
Program revenues	73,042	97,462
Grants and appropriations	235,127	244,776
In-kind donations	1,297,027	1,317,342
Investment income	33,766	59,916
Gain on sale of assets	-	10,085
Net assets released from restriction	83,293	49,233
TOTAL REVENUES	4,007,140	3,834,554
EXPENSES		
Program services:		
Games and competition	2,092,436	1,910,709
Challenge days	101,026	102,459
Healthy athletes	59,191	113,479
Unified sports	545,306	642,525
Young athletes	130,915	132,921
Total program services	2,928,874	2,902,093
Supporting services:		
Fundraising	727,743	676,798
Management and general	121,571	162,155
Total supporting services	849,314	838,953
TOTAL EXPENSES	3,778,188	3,741,046
INCREASE IN UNRESTRICTED NET ASSETS	228,952	93,508
TEMPORARILY RESTRICTED NET ASSETS		
Grant and contribution income	34,190	168,590
Net assets released from restriction - satisfaction of purpose	(83,293)	(49,233)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(49,103)	119,357
PERMANENTLY RESTRICTED NET ASSETS		
Change in beneficial interest in trust valuation	1,860	12,407
INCREASE IN NET ASSETS	181,709	225,272
NET ASSETS - BEGINNING OF YEAR	4,064,271	3,838,999
NET ASSETS - END OF YEAR	\$ 4,245,980	\$ 4,064,271

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS IOWA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services					Supporting Services				2013	
	Games and Competition	Challenge Days	Healthy Athletes	Unified Sports	Young Athletes	Total	Fund Raising	Management and General	Total	Total Expenses	Total Expenses
Salaries	\$ 461,218	\$ 22,273	\$ 13,041	\$ 120,211	\$ 28,858	\$ 645,602	\$ 298,690	\$ 83,545	\$ 382,235	\$ 1,027,837	\$ 1,085,545
Events and games supplies	277,990	13,402	7,887	72,392	17,385	389,056	-	-	-	389,056	403,986
Accreditation fee	23,055	1,113	652	6,009	1,443	32,272	-	-	-	32,272	29,259
Professional fees and services	313	15	9	82	20	439	439	14,038	14,477	14,916	13,740
Event insurance	14,313	691	404	3,731	896	20,035	-	-	-	20,035	19,792
Bank fees	-	-	-	-	-	-	-	5,495	5,495	5,495	5,464
Building maintenance	35,589	1,719	1,006	9,276	2,227	49,817	11,445	2,563	14,008	63,825	67,535
Equipment repairs	27,799	1,343	786	7,245	1,739	38,912	2,408	1,668	4,076	42,988	19,652
Education	28,850	1,393	816	7,519	1,805	40,383	-	-	-	40,383	41,853
Office expense	17,729	856	501	4,621	1,110	24,817	2,929	1,491	4,420	29,237	20,971
Telephone	3,816	184	108	995	239	5,342	2,342	2,220	4,562	9,904	8,692
Information technology	2,970	143	84	775	186	4,158	1,862	(1,230)	632	4,790	1,803
Postage and shipping	9,087	439	257	2,368	569	12,720	1,402	1,389	2,791	15,511	14,373
Printing	11,631	562	328	3,032	728	16,281	2,192	2,319	4,511	20,792	19,316
Permits and licenses	344	17	10	89	22	482	1,160	-	1,160	1,642	684
Meeting expense	3,956	191	112	1,031	248	5,538	22,190	1,248	23,438	28,976	43,327
Travel	58,550	2,827	1,656	15,260	3,663	81,956	6,893	-	6,893	88,849	75,051
Dues and subscriptions	2,973	144	84	775	185	4,161	503	592	1,095	5,256	2,021
Public relations	2,165	105	61	564	135	3,030	5,513	245	5,758	8,788	4,572
Volunteer recruitment	12,364	597	349	3,223	774	17,307	7,209	-	7,209	24,516	25,146
Awards	14,107	681	399	3,677	883	19,747	997	-	997	20,744	19,442
Souvenir expense	16,986	820	480	4,427	1,063	23,776	9,229	-	9,229	33,005	23,337
Telemarketing expense	-	-	-	-	-	-	57,689	-	57,689	57,689	59,789
Fundraising	-	-	-	-	-	-	71,068	-	71,068	71,068	83,329
Special events - Torch Run	-	-	-	-	-	-	177,992	-	177,992	177,992	159,716
In-kind expenses	893,731	43,160	25,271	232,941	55,921	1,251,024	17,744	-	17,744	1,268,768	1,295,866
Miscellaneous	132,712	6,409	3,752	34,590	8,304	185,767	-	-	-	185,767	115,682
Depreciation	40,186	1,941	1,137	10,474	2,514	56,252	25,847	5,988	31,835	88,087	81,103
TOTAL EXPENSES	\$2,092,436	\$101,026	\$ 59,191	\$ 545,306	\$ 130,915	\$2,928,874	\$ 727,743	\$ 121,571	\$ 849,314	\$3,778,188	\$ 3,741,046

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS IOWA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014 WITH
COMPARATIVE TOTALS FOR 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 181,709	\$ 225,272
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	88,087	81,103
Realized and unrealized investment gains	1,720	(41,144)
Realized gain on sale of property and equipment	-	(10,085)
Discount on unconditional promises to give	-	(2,600)
Increase in beneficial interest	(1,860)	(12,407)
Change in:		
Accounts receivable	(31,669)	(16,744)
Prepaid expenses	1,413	(7,937)
Unconditional promises to give	9,217	10,408
Accounts payable and accrued liabilities	(41,904)	2,268
Contributions restricted for technology upgrades	-	(53,665)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>206,713</u>	<u>174,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(21,623)	(8,227)
Proceeds from maturity of certificates of deposit	-	153,376
Property and equipment purchases	(26,182)	(147,334)
NET CASH USED BY INVESTING ACTIVITIES	<u>(47,805)</u>	<u>(2,185)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for technology upgrades	-	53,665
NET INCREASE IN CASH AND CASH EQUIVALENTS	158,908	225,949
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,556,456</u>	<u>1,330,507</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,715,364</u>	<u>\$ 1,556,456</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL OLYMPICS IOWA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Special Olympics Iowa, Inc. provides year-round sports training and athletic competition in a variety of Olympic-type sports for individuals with intellectual disabilities by 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. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Following is a description of the Organization's programs:

Games and Competition - The Organization provides Olympic-style training and competition in twenty-three different sports throughout the year for individuals with intellectual disabilities.

Challenge Days - The Organization provides specially designed events using switch-activated equipment for athletes with the most severe and profound disabilities and athletes who are aging out of the traditional programs.

Healthy Athletes - The Organization provides a screening program that is designed to help increase a healthy lifestyle for individuals with intellectual disabilities. The Organization offers free screenings in seven disciplines – FUNFitness (general fitness), Fit Feet (podiatry), Health Promotion (healthy lifestyle choices), Healthy Hearing (hearing), MedFest (sports physicals), Opening Eyes (vision), and Special Smiles (dental hygiene).

Unified Sports - The Organization pairs Special Olympics athletes and athletes without intellectual disabilities on the same sports team and each team participates in competitions.

Young Athletes - The Organization provides an introductory program offering play day activities to children with intellectual disabilities between the ages of two and seven.

FINANCIAL STATEMENT PRESENTATION - The Organization reports its financial position and activities through three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are recorded as temporarily restricted net assets and are then released to unrestricted net assets upon expiration of the time restriction or fulfillment of the purpose. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized.

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. Contributions are recorded as revenue at the earlier of the date of receipt or the date an unconditional promise is given by a donor.

CASH AND CASH EQUIVALENTS - The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

SPECIAL OLYMPICS IOWA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

CONCENTRATION OF CREDIT RISK - At December 31, 2014, the Organization had deposits in certain financial institutions in excess of FDIC insured limits. U.S. generally accepted accounting principles identify these excess deposits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. Deposits in excess of FDIC insured limits totaled approximately \$239,000 at December 31, 2014.

ACCOUNTS RECEIVABLE - Accounts receivable at December 31, 2014 consists of \$67,434 due from Special Olympics International, Inc. for donations collected on behalf of the Organization. The remaining \$27,320 represents other contributions receivable from other fundraisers and events held during 2014. Management periodically reviews accounts receivable to determine if any amounts may be uncollectible, and establishes an allowance for doubtful accounts, if necessary. No allowance related to accounts receivable was considered necessary at December 31, 2014.

INVESTMENTS - The Organization's investments are presented at fair value. Changes in unrealized gains and losses, if any, are included as a component of investment income on the statement of activities. Fair value of the investments in marketable securities is valued using Level 1 measurements, as defined by U.S. generally accepted accounting principles. Level 1 measurements are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

BENEFICIAL INTEREST IN TRUST - During 2004, a donor established a trust with the Organization as the beneficiary of the trust. These assets are neither in the possession of, nor under the control of the Organization. In the event the Organization ceases to exist or ceases to continue the work for which they were organized the trustee will transfer the remaining assets to a new beneficiary. The Organization reports its beneficial interest in trust at the fair value provided by the trustee as a component of permanently restricted net assets. Under terms of the trust, the Organization receives the income from the trust to support the Organization activities and reports those distributed earnings as unrestricted investment income. Changes in the fair value of the funds are reported as permanently restricted changes in beneficial interest. Distributions to the Organization from the trust totaled \$6,366 for 2014 and \$4,288 for 2013. Fair value of the beneficial interest in trust is valued using Level 3 measurements, as defined by U.S. generally accepted accounting principles as there is no direct ownership of the underlying investments. However, the underlying investments in the fund consist of investments that are measured by the trustee using Level 1, Level 2, and Level 3 inputs.

The following table provides a summary of changes in fair value of the Organization's beneficial interest in trust for the year ended December 31, 2014.

Beginning balance	\$ 161,702
Interest and dividends	12,535
Unrealized losses	(2,235)
Distributions	(6,366)
Investment fees	(2,074)
Ending balance	<u>\$ 163,562</u>

SPECIAL OLYMPICS IOWA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost or at market value at the date of acquisition, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to fifty years. Long-lived assets are presented at fair value where information indicates the Organization might be unable to recover, through operations or sale, the carrying amount of long-lived assets. The Organization has not identified any impaired assets at December 31, 2014.

IN-KIND GIFTS - Significant in-kind donations, including services donated by area directors and coaches, are recorded as income and expense at their estimated fair value at the time the service is performed.

FUNCTIONAL ALLOCATION OF EXPENSES - The allocations of functional expenses were made by direct assignment of cost to functional categories where a direct relationship exists. Other common expenses have been allocated to functional categories based on time, use and occupancy estimates. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

UNCERTAIN TAX POSITIONS - Management is unaware of any uncertain income tax positions at December 31, 2014. Interest and penalties associated with income tax matters would be presented as components of income tax expense. There were no interest or penalty charges during 2014. The Organization's prior three years' informational tax returns remain subject to examination by the Internal Revenue Service.

ADVERTISING - The Organization expenses advertising costs as they are incurred. There were no significant advertising expenses in 2014.

ESTIMATES - The preparation of 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.

JOINT SERVICE COSTS - The Organization engages a third-party to provide certain telemarketing services on behalf of the Organization. These services include soliciting contributions, recruiting volunteers, and promoting awareness of the Organization. The costs of conducting these activities are not specifically attributable to particular components of the Organization's activities. These joint service costs were allocated by management based on the content of the telemarketing scripts as follows:

Fundraising	\$ 57,689
Program	57,689
	<u>\$ 115,378</u>

COMPARATIVE TOTALS - The amounts shown for 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014 and are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America.

SUBSEQUENT EVENTS - Management has evaluated subsequent events through June 18, 2015, the date the financial statements were available to be issued.

SPECIAL OLYMPICS IOWA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B - INVESTMENTS

Investments consist of the following:

	Cost	Unrealized Gains (Losses)	Fair Value	<i>Comparative Fair Value 2013</i>
Money market funds	\$ 22,324	\$ -	\$ 22,324	\$ 34,696
Mutual funds:				
Equity	134,406	51,577	185,983	181,883
Fixed income	112,708	(605)	112,103	82,775
International	8,000	3,655	11,655	12,808
	<u>\$ 277,438</u>	<u>\$ 54,627</u>	<u>\$ 332,065</u>	<u>\$ 312,162</u>

Following is a summary of the Organization's investment income:

	2014	<i>Comparative 2013</i>
Interest and dividend income	\$ 29,120	\$ 14,484
Realized and unrealized gains (losses) on investments	(1,720)	41,144
Distributions from beneficial interest in trust	6,366	4,288
Total investment income	<u>\$ 33,766</u>	<u>\$ 59,916</u>

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists of the following:

	2014	<i>Comparative 2013</i>
Unconditional promises to give	\$ 51,050	\$ 65,517
Less: Unamortized discount	(11,260)	(16,510)
	39,790	49,007
Less: Allowance for uncollectible amounts	-	-
Net unconditional promises to give	<u>\$ 39,790</u>	<u>\$ 49,007</u>
Amounts due in:		
Less than one year	\$ -	
One to five years	-	
More than five years	51,050	
	<u>\$ 51,050</u>	

Pledges receivable due in more than one year are recorded at the present value of estimated future cash flows using a discount rate that approximates the prime rate in effect at the time of the gift. Pledges from a portion of an estate or will are discounted based on the remaining life expectancy of the donor.

Management periodically reviews outstanding pledges receivable to determine whether the allowance for potentially uncollectible pledges is adequate.

SPECIAL OLYMPICS IOWA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2014:

Land	\$ 230,012
Building and improvements	1,929,647
Furniture	29,843
Equipment	305,301
Vehicles	122,487
	<hr/>
	2,617,290
Less accumulated depreciation	722,884
Net property and equipment	<hr/> <hr/>
	\$ 1,894,406

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$83,293 at December 31, 2014 were released to unrestricted net assets during 2014 as purpose restrictions were met. Following is a summary of donor specified purpose restrictions at December 31, 2014:

Restricted for:	
Fellingham internship	\$ 7,349
Healthy Athlete Program	6,000
Young Athletes Program	45,000
Project Unify	22,990
Technology upgrade	42,665
Scott County Special Olympics	5,200
	<hr/>
	\$ 129,204

NOTE F - RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan covering all eligible employees. The Organization matches 50% of employees' deferrals up to 8% of eligible compensation. Additional contributions can also be made to the plan at the discretion of the Board of Directors. Retirement plan expense was \$22,617 for the year ended December 31, 2014.

NOTE G - RELATED PARTY TRANSACTIONS

The Organization is accredited by Special Olympics International, Inc. (SOI) to conduct Special Olympic activities within the state. During 2014, the Organization received approximately \$252,000 from SOI cooperative national fundraising projects and paid approximately \$37,000 to SOI for accreditation fees and conference registrations.