

**SPECIAL OLYMPICS IOWA, INC.**  
**(A Nonprofit Organization)**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2015**

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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, 2015, 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 organization'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, 2015, 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 financial statements as of and for the year ended December 31, 2014, and we expressed an unmodified opinion on those audited financial statements in our report dated June 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 2, 2016

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**SPECIAL OLYMPICS IOWA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 WITH**  
**COMPARATIVE TOTALS FOR 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,825,555	\$ 1,715,364
Investments	333,737	332,065
Accounts receivable	109,108	94,754
Prepaid expenses	19,258	42,018
Unconditional promises to give	41,295	39,790
Property and equipment, net of accumulated depreciation	1,823,406	1,894,406
Beneficial interest in trusts	164,878	163,562
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 4,317,237</u>	<u>\$ 4,281,959</u>
 <b>LIABILITIES</b>		
Accounts payable - trade	\$ 34,755	\$ 11,950
Accrued expenses	33,139	24,029
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	67,894	35,979
 <b>NET ASSETS</b>		
Unrestricted net assets	3,978,080	3,913,424
Temporarily restricted net assets	106,384	168,994
Permanently restricted net assets	164,878	163,562
	<u>                    </u>	<u>                    </u>
TOTAL NET ASSETS	<u>4,249,342</u>	<u>4,245,980</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,317,236</u>	<u>\$ 4,281,959</u>

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

**SPECIAL OLYMPICS IOWA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015 WITH**  
**COMPARATIVE TOTALS FOR 2014**

	2015	2014
UNRESTRICTED NET ASSETS		
REVENUES		
Contributions	\$ 918,703	\$ 911,189
Fundraising	1,422,839	1,374,078
Program revenues	131,384	73,042
Grants and appropriations	244,979	235,127
In-kind donations	1,396,366	1,297,027
Investment income	14,305	33,384
Net assets released from restriction	65,881	83,293
TOTAL REVENUES	4,194,457	4,007,140
EXPENSES		
Program services:		
Games and competition	2,210,645	2,092,436
Challenge days	67,764	101,026
Healthy athletes	54,511	59,191
Unified sports	406,081	545,306
Young athletes	167,395	130,915
Athlete leadership program	40,370	-
Total program services	2,946,767	2,928,874
Supporting services:		
Fundraising	924,760	727,743
Management and general	258,274	121,571
Total supporting services	1,183,034	849,314
TOTAL EXPENSES	4,129,801	3,778,188
INCREASE IN UNRESTRICTED NET ASSETS	64,656	228,952
TEMPORARILY RESTRICTED NET ASSETS		
Grant and contribution income	3,271	34,190
Net assets released from restriction - satisfaction of purpose	(65,881)	(83,293)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(62,610)	(49,103)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions made to beneficial interest in trusts	15,350	-
Change in beneficial interest in trusts' valuation	(14,034)	1,860
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	1,316	1,860
INCREASE IN NET ASSETS	3,362	181,709
NET ASSETS - BEGINNING OF YEAR	4,245,980	4,064,271
NET ASSETS - END OF YEAR	\$ 4,249,342	\$ 4,245,980

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

**SPECIAL OLYMPICS IOWA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014**

	Program Services						Supporting Services			Total Expenses	2014 Total Expenses	
	Games and Competition	Challenge Days	Healthy Athletes	Unified Sports	Young Athletes	Athlete Leadership Program	Total	Fund Raising	Management and General			
Salaries	\$ 525,869	\$ 16,123	\$ 12,968	\$ 96,594	\$ 39,815	\$ 9,603	\$ 700,972	\$ 368,383	\$ 200,800	\$ 569,183	\$1,270,155	\$ 1,027,837
Events and games supplies	290714	8902	7165	53419	22031	5309	387540	-	-	-	387,540	389,056
Accreditation fee	25021	767	617	4596	1894	457	33352	-	-	-	33,352	32,272
Professional fees and services	429	13	11	79	33	8	573	573	12,861	13,434	14,007	14,916
Event insurance	17961	551	443	3299	1359	328	23940	-	-	-	23,940	20,035
Bank fees	27	1	1	5	2	1	37	-	8,612	8,612	8,649	5,495
Building maintenance	35893	1100	885	6593	2718	655	47844	15,687	8,550	24,237	72,081	63,825
Equipment repairs	13074	401	322	2402	990	239	17428	2,791	689	3,480	20,908	42,988
Education	25579	784	631	4698	1937	467	34096	-	-	-	34,096	40,383
Office expense	15288	469	377	2808	1158	279	20379	4,517	1,255	5,772	26,151	29,237
Telephone	3734	114	92	686	283	68	4977	2,375	1,407	3,782	8,759	9,904
Information technology	15386	472	379	2826	1165	281	20509	7,874	4,292	12,166	32,675	4,790
Postage and shipping	6892	211	170	1266	522	126	9187	1,070	950	2,020	11,207	15,511
Printing	14531	445	359	2669	1100	265	19369	8,614	1,717	10,331	29,700	20,792
Permits and licenses	207	6	5	38	16	4	276	1,106	-	1,106	1,382	1,642
Meeting expense	2186	67	54	402	165	40	2914	30,938	644	31,582	34,496	28,976
Travel	69343	2126	1710	12738	5250	1266	92433	9,663	-	9,663	102,096	88,849
Dues and subscriptions	2371	73	59	435	179	43	3160	768	-	768	3,928	5,256
Public relations	899	28	22	165	68	16	1199	4,887	-	4,887	6,086	8,788
Volunteer recruitment	10963	336	270	2014	830	200	14613	8,022	-	8,022	22,635	24,516
Awards	18423	565	454	3384	1395	337	24558	11	-	11	24,569	20,744
Souvenir expense	25189	772	621	4627	1907	460	33576	5,860	-	5,860	39,436	33,005
Telemarketing expense	-	-	-	-	-	-	-	48,709	-	48,709	48,709	57,689
Fundraising	-	-	-	-	-	-	-	83,128	-	83,128	83,128	71,068
Special events - Torch Run	-	-	-	-	-	-	-	180,382	-	180,382	180,382	177,992
In-kind expenses	943402	28923	23264	173289	71428	17228	1257534	112,884	-	112,884	1,370,418	1,268,768
Miscellaneous	113339	3475	2795	20818	8581	2070	151078	125	2,111	2,236	153,314	185,767
Depreciation	33925	1040	837	6231	2569	620	45222	26,393	14,386	40,779	86,001	88,087
<b>TOTAL EXPENSES</b>	<b>\$2,210,645</b>	<b>\$ 67,764</b>	<b>\$ 54,511</b>	<b>\$ 406,081</b>	<b>\$ 167,395</b>	<b>\$ 40,370</b>	<b>\$ 2,946,766</b>	<b>\$ 924,760</b>	<b>\$ 258,274</b>	<b>\$ 1,183,034</b>	<b>\$4,129,800</b>	<b>\$ 3,778,188</b>

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

**SPECIAL OLYMPICS IOWA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015 WITH**  
**COMPARATIVE TOTALS FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,362	\$ 181,709
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,000	88,087
Donated property and equipment	(15,000)	-
Realized and unrealized investment losses	9,565	1,720
Discount on unconditional promises to give	(1,505)	-
Increase in beneficial interest	(1,316)	(1,860)
Change in:		
Accounts receivable	(14,354)	(31,669)
Prepaid expenses	22,760	1,413
Unconditional promises to give	-	9,217
Accounts payable and accrued liabilities	31,915	(41,904)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>121,427</u>	<u>206,713</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(11,237)	(21,623)
Property and equipment purchases	-	(26,182)
NET CASH USED BY INVESTING ACTIVITIES	<u>(11,237)</u>	<u>(47,805)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,190	158,908
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,715,364</u>	<u>1,556,456</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,825,554</u>	<u>\$ 1,715,364</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. (the Organization) 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.

Athlete Leadership Program - The Organization provides athletes with opportunities for greater participation beyond sports training and competition: as coaches, officials, team captains, spokespeople and Board and committee members.

**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.



**SPECIAL OLYMPICS IOWA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES** - Continued

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

**CONCENTRATION OF CREDIT RISK** - At December 31, 2015, 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 \$527,000 at December 31, 2015.

**ACCOUNTS RECEIVABLE** - Accounts receivable at December 31, 2015 includes \$53,312 due from Special Olympics International, Inc. for donations collected on behalf of the Organization. The remaining \$55,796 represents other contributions receivable from other fundraisers and events held during 2015. 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, 2015.

**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 determined 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 TRUSTS** - 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 \$7,597 in 2015.

Certain donors have contributed funds to the Community Foundation of Greater Des Moines and the Community Foundation of Greater Dubuque through Endow Iowa accounts where Special Olympics Iowa, Inc. is the designated beneficiary of a portion of the earnings from those funds. Contributions received are recorded as permanently restricted net assets (\$15,350 in 2015). There were no distributions to the Organization during 2015.

The fair value of the beneficial interest in trusts 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 funds consist of investments that are measured by the trustees using Level 1, Level 2, and Level 3 inputs.

**SPECIAL OLYMPICS IOWA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES** - Continued

The following table provides a summary of changes in fair value of the Organization's beneficial interest in trusts for the year ended December 31, 2015.

Beginning balance	\$ 163,562
Interest and dividends	6,733
Unrealized losses	(10,744)
Contributions	15,350
Distributions	(7,597)
Investment fees	(2,426)
Ending balance	<u>\$ 164,878</u>

**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, 2015.

**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, 2015. 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 2015.

**ADVERTISING** - The Organization expenses advertising costs as they are incurred. There were no significant advertising expenses in 2015.

**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.

**SPECIAL OLYMPICS IOWA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES** - Continued

**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	\$ 48,709
Program	48,709
	<u>\$ 97,418</u>

**COMPARATIVE TOTALS** - The amounts shown for 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015 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 2, 2016, the date the financial statements were available to be issued.

**NOTE B - INVESTMENTS**

Investments consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Money market funds	\$ 11,951	\$ -	\$ 11,951
Mutual funds:			
Equity	149,694	(7,063)	142,631
Fixed income	141,767	(6,466)	135,301
International	50,502	(6,648)	43,854
	<u>\$ 353,914</u>	<u>\$ (20,177)</u>	<u>\$ 333,737</u>

Following is a summary of the Organization's investment income at December 31, 2015:

Interest and dividend income	\$ 16,273
Realized and unrealized gains (losses) on investments	(9,565)
Distributions from beneficial interest in trust	7,597
Total investment income	<u>\$ 14,305</u>

**SPECIAL OLYMPICS IOWA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following at December 31, 2015:

Unconditional promises to give	\$ 51,050
Less: Unamortized discount	<u>(9,755)</u>
	41,295
Less: Allowance for uncollectible amounts	<u>-</u>
Net unconditional promises to give	<u>\$ 41,295</u>
Amounts due in:	
Less than one year	\$ -
One to five years	-
More than five years	<u>51,050</u>
	<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.

**NOTE D - PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at December 31, 2015:

Land	\$ 230,012
Building and improvements	1,929,647
Furniture	29,843
Equipment	320,301
Vehicles	<u>122,487</u>
	2,632,290
Less accumulated depreciation	<u>808,884</u>
Net property and equipment	<u>\$ 1,823,406</u>

**NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets totaling \$65,881 at December 31, 2015 were released to unrestricted net assets during 2015 as purpose restrictions were met. Following is a summary of donor specified purpose and time restrictions at December 31, 2015:

Restricted for:	
Young Athletes Program	\$ 40,000
Project Unify	1,766
Technology upgraded	23,323
Unconditional promises to give in future periods	<u>41,295</u>
	<u>\$ 106,384</u>

**SPECIAL OLYMPICS IOWA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**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 \$18,177 for the year ended December 31, 2015.

**NOTE G - RELATED PARTY TRANSACTIONS**

The Organization is accredited by Special Olympics International, Inc. (SOI) to conduct Special Olympic activities within the state. During 2015, the Organization received approximately \$274,000 from SOI cooperative national fundraising projects and paid approximately \$33,000 to SOI for accreditation fees and conference registrations.