

SPECIAL CHILDREN'S CHARITIES

**FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

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# *ABSolute Accounting Associates, LLC*

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Special Children's Charities  
Chicago, IL

We have audited the accompanying financial statements of Special Children's Charities (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 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 Children's Charities at December 31, 2016, 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.

### **Other Matters**

The financial statements for Special Children's Charities as of December 31, 2015 were audited by a predecessor auditor. According to the predecessor auditor report dated September 21, 2016, the financial statements presented fairly, in all material respects, the financial position of Special Children's Charities 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.

*Absolute Accounting Associates, LLC*

October 10, 2017

Willowbrook, Illinois

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 and 2015**

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| <b>ASSETS</b>                            |              |              |
| Cash and cash equivalents                | \$ 1,134,566 | \$ 720,180   |
| Investments                              | 1,050,238    | 998,941      |
| Contribution receivable                  | 29,535       | 225,190      |
| Accrued investment interest receivable   | -            | 1,565        |
| Prepaid expenses                         | 4,953        | 6,400        |
| Fixed assets - net                       | 10,616       | 8,680        |
| Deposits                                 | 2,072        | 2,072        |
| Total Assets                             | \$ 2,231,980 | \$ 1,963,028 |
| <b>LIABILITIES</b>                       |              |              |
| Accounts payable and accrued liabilities | \$ 78,668    | \$ 259,543   |
| Deferred contributions                   | 49,569       | 25,608       |
| Grant obligation payable                 | 38,327       | 4,000        |
| Total Liabilities                        | \$ 166,564   | \$ 289,151   |
| <b>NET ASSETS</b>                        |              |              |
| Unrestricted                             | 2,065,416    | 1,673,878    |
| Total Net Assets                         | \$ 2,065,416 | \$ 1,673,878 |
| Total Liabilities and Net Assets         | \$ 2,231,980 | \$ 1,963,028 |

The accompanying notes are an integral part of the financial statements

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016 and 2015**

|  | <u>2016</u>                | <u>2015</u>                |
|--|----------------------------|----------------------------|
| REVENUES AND OTHER SUPPORT                         |                            |                            |
| Corporate, Foundation and Individual contributions | \$ 288,680                 | \$ 202,388                 |
| Special events                                     | 1,990,669                  | 2,006,963                  |
| Investment return                                  | 51,141                     | (10,283)                   |
| Total Revenue and Other Support                    | <u>\$ 2,330,490</u>        | <u>\$ 2,199,068</u>        |
| EXPENSES   |                            |                            |
| Program  | 1,494,562                  | 1,782,409                  |
| Management and General                             | 146,408                    | 150,390                    |
| Fundraising  | 297,982                    | 200,535                    |
| Total Expenses                                     | <u>\$ 1,938,952</u>        | <u>\$ 2,133,334</u>        |
| CHANGE IN NET ASSETS                               | \$ 391,539                 | \$ 65,734                  |
| NET ASSETS   |                            |                            |
| Beginning of year                                  | <u>\$ 1,673,878</u>        | <u>\$ 1,608,143</u>        |
| End of year  | <u><u>\$ 2,065,416</u></u> | <u><u>\$ 1,673,877</u></u> |

The accompanying notes are an integral part of the financial statements

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016 and 2015**

|  | <u>2016</u>         | <u>2015</u>        |
|--|---------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                    |
| Change in net assets   | \$ 391,539          | \$ 65,734          |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                     |                    |
| Depreciation   | 4,824               | 5,570              |
| Realized (gain) loss from investments  | 3,096               | 550                |
| Unrealized (gain) loss on investments  | (30,090)            | 15,379             |
| Decrease (increase) in assets  |                     |                    |
| Accounts receivable  | 195,655             | (225,190)          |
| Accrued investment interest receivable   | 1,565               | (1,565)            |
| Prepaid expenses   | 1,447               | 7,495              |
| (Decrease) increase in liabilities   |                     |                    |
| Accounts payable and accrued liabilities   | (180,874)           | 218,026            |
| Deferred Revenue   | 23,961              | (1,910)            |
| Grant obligation payable   | 34,327              | (126,753)          |
| Net Cash Provided by (Used in) Operating Activities  | <u>445,448</u>      | <u>(42,664)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                    |
| Proceeds from investment   | (24,303)            | 42,259             |
| Purchase of investments  | -                   | (1,057,129)        |
| Payments for property and equipment, net   | (6,759)             | (650)              |
| Net Cash Used in Investing Activities  | <u>(31,062)</u>     | <u>(1,015,520)</u> |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | 414,386             | (1,058,184)        |
| <b>CASH AND CASH EQUIVALENTS -</b>   |                     |                    |
| Beginning of year  | <u>720,180</u>      | <u>1,778,364</u>   |
| End of year  | <u>\$ 1,134,566</u> | <u>\$ 720,180</u>  |

The accompanying notes are an integral part of the financial statements

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016 and 2015**

|                             | 2016                |                           |                   |                     |
|-----------------------------|---------------------|---------------------------|-------------------|---------------------|
|                             | Program Services    | Management<br>and General | Fundraising       | Total Expenses      |
| Special olympics program    | \$ 538,810          | \$ -                      | \$ -              | \$ 538,810          |
| Board of directors expenses | -                   | 4,730                     | -                 | 4,730               |
| Outside support             | 121,122             | 44,288                    | 217,663           | 383,074             |
| Professional fees           | -                   | 33,219                    | -                 | 33,219              |
| Public support              | -                   | -                         | 6,380             | 6,380               |
| Special event expenses      | 808,216             | -                         | -                 | 808,216             |
| Insurance                   | -                   | 3,959                     | -                 | 3,959               |
| Telephone                   | -                   | 5,287                     | 5,287             | 10,573              |
| Office expense              | -                   | 20,477                    | 18,401            | 38,879              |
| Payroll and payroll taxes   | 23,149              | 23,149                    | 46,298            | 92,597              |
| Depreciation                | 3,264               | 1,560                     | -                 | 4,824               |
| Training                    | -                   | 3,679                     | 3,679             | 7,359               |
| Contributions               | -                   | 5,786                     | -                 | 5,786               |
| Miscellaneous               | -                   | 274                       | 274               | 547                 |
| Total Expenses              | <u>\$ 1,494,562</u> | <u>\$ 146,408</u>         | <u>\$ 297,982</u> | <u>\$ 1,938,952</u> |

|                             | 2015                |                           |                   |                     |
|-----------------------------|---------------------|---------------------------|-------------------|---------------------|
|                             | Program Services    | Management<br>and General | Fundraising       | Total Expenses      |
| Special olympics program    | \$ 646,413          | \$ -                      | \$ -              | \$ 646,413          |
| Board of directors expenses | -                   | 2,534                     | -                 | 2,534               |
| Outside support             | 145,211             | 47,713                    | 143,271           | 336,195             |
| Professional fees           | -                   | 54,088                    | -                 | 54,088              |
| Public support              | -                   | -                         | 1,344             | 1,344               |
| Special event expenses      | 969,620             | -                         | -                 | 969,620             |
| Insurance                   | -                   | 3,777                     | -                 | 3,777               |
| Telephone                   | -                   | 4,911                     | 4,911             | 9,822               |
| Office expense              | -                   | 19,227                    | 17,276            | 36,503              |
| Payroll and payroll taxes   | 15,725              | 15,725                    | 31,449            | 62,898              |
| Depreciation                | 5,440               | 130                       | -                 | 5,570               |
| Training                    | -                   | 1,694                     | 1,694             | 3,388               |
| Miscellaneous               | -                   | 591                       | 591               | 1,182               |
| Total Expenses              | <u>\$ 1,782,409</u> | <u>\$ 150,390</u>         | <u>\$ 200,535</u> | <u>\$ 2,133,334</u> |

The accompanying notes are an integral part of the financial statements



SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Activities

Special Children's Charities (the "Organization") is a nonprofit organization, which is the co-sponsor, along with the Chicago Park District, of the Special Olympics in Chicago. Special Olympics provides year-round athletic sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. The Organization raises funds for these programs through special events and grants and donations from foundations and corporations and awards an annual grant to the Chicago Park District for Special Olympics programming. The Chicago Park District provides the program planning, staffing, facilities, equipment, coaches' training, certification and professional development functions.

Basis of Presentation

As required by generally accepted accounting principles for not-for-profit accounting, 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. At December 31, 2016, there were no permanently or temporarily restricted net assets.

Basis of Accounting

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

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. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Contributions Receivable

Contributions Receivable are recorded when invoices are issued. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision of bad

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. No allowance was deemed necessary by management at December 31, 2016 and 2015.

Property & Equipment and Related Depreciation

The Organization capitalizes asset additions equal to or greater than \$600. Property and equipment is recorded at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the double declining balance method. All property and equipment are depreciated over five years. Depreciation expense totaled \$4,824 and \$5,570 for the years ended December 31, 2016 and 2015 respectively.

Functional Expenses

Operating expenses directly identified with a functional area are charged to that area and, where these expenses affect more than one area, they are allocated based on ratios estimated by management.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through October 10, 2017, the date which the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications did not affect the prior year's income.

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*.

Key elements of the ASU include a reduction in the number of asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Organization's December 31, 2019 financial statements. Early adoption is permitted.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early adoption is permitted. The updated standard will be effective for the Organization's December 31, 2019 financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU Supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Organization's December 31, 2020 financial statements.

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

Income Tax Status

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and therefore, no provision for federal income taxes has been made in the accompanying financial statements. However, organizations which are exempt may be subject to unrelated business income taxes when an organization generates revenues from activities which are unrelated to the exempt purpose of the organization. Management believes there is no unrelated business income subject to taxes for the years ended December 31, 2016 and 2015. The Organization's Forms 990, Return of Organization Exempt

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2016 AND 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status (Continued)

from Income Tax, are subject to examination by the IRS, generally for three years after they filed.

Fair Value Measurements

Accounting standards generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and enhance disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. This standard establishes a fair value hierarchy based on three levels of inputs that may be used to measure fair value.

The input levels are:

- Level 1: Quoted (observable) market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 that are observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The following summarizes the classification of investments by classification and method of valuation in accordance with Topic 820 at:

|                     | <u>Fair Value Measurements Using Input Type</u> |                   |             |                     |
|---------------------|---|-------------------|-------------|---------------------|
|                     | Level 1   | Level 2           | Level 3     | Total               |
| December 31, 2016   |   |                   |             |                     |
| Equities            | \$ 429,153                                      | \$ -              | \$ -        | \$ 429,153          |
| Fixed Income        |   | 572,256           |             | 572,256             |
| Cash / Money Market | 47,162  | -                 | -           | 47,162              |
| Accrued Interest    | 1,667   | -                 | -           | 1,667               |
|                     | <u>\$ 477,982</u>                               | <u>\$ 572,256</u> | <u>\$ -</u> | <u>\$ 1,050,238</u> |

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2016 AND 2015

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

Major funding sources include corporate and individual contributions, foundations and revenue generated by various special events.

**NOTE 3 – PROPERTY AND EQUIPMENT**

FIXED ASSETS

|           | <u>2016</u>      | <u>2015</u>      |
|-----------|------------------|------------------|
| Equipment | \$ 7,409         | \$ 651           |
| Vehicles  | <u>28,335</u>    | <u>28,335</u>    |
| Total     | <u>\$ 35,744</u> | <u>\$ 28,986</u> |

Less ACCUMULATED DEPRECIATION

|                                      |                         |                        |
|--------------------------------------|-------------------------|------------------------|
| Computer Equipment                   | (\$ 1,690)              | (\$ 130)               |
| Field Equipment                      | <u>(23,438)</u>         | <u>(20,174)</u>        |
| Total                                | (\$25,128)              | (\$20,304)             |
| <b>PROPERTY &amp; EQUIPMENT, NET</b> | <u><b>\$ 10,616</b></u> | <u><b>\$ 8,680</b></u> |