

SPECIAL CHILDREN'S CHARITIES

**FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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

## Special Children's Charities

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as whole.

*Absolute Accounting Associates, LLC*

September 14, 2018

Willowbrook, Illinois

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,158,861	\$ 1,184,298
Contributions receivable	145,637	29,535
Prepaid expenses	268,561	4,953
<b>TOTAL CURRENT ASSETS</b>	<b>1,573,059</b>	<b>1,218,787</b>
<b>PROPERTY AND EQUIPMENT</b>		
Net of accumulated depreciation	63,953	10,615
<b>OTHER ASSETS</b>		
Investments	1,086,295	1,000,506
Deposits	2,748	2,072
<b>TOTAL OTHER ASSETS</b>	<b>1,089,043</b>	<b>1,002,578</b>
Total Assets	<b>\$ 2,726,055</b>	<b>\$ 2,231,979</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 111,753	\$ 78,667
Deferred contributions	52,847	49,569
Grant obligation payable	-	38,327
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 164,600</b>	<b>\$ 166,563</b>
<b>NET ASSETS</b>		
Unrestricted	2,561,455	2,065,416
Total Net Assets	<b>\$ 2,561,455</b>	<b>\$ 2,065,416</b>
Total Liabilities and Net Assets	<b>\$ 2,726,055</b>	<b>\$ 2,231,979</b>

The accompanying notes are an integral part of the financial statements

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT</b>		
Special events, gross revenues	\$ 2,128,225	\$ 1,829,418
Less: Special events, gross expenses	(514,016)	(485,418)
State Grants	168,809	161,251
Corporate, Foundation and Individual contributions	384,023	282,894
In-kind contributions	287,849	5,786
Investment income, net of expenses	85,214	51,141
	<b>2,540,104</b>	<b>1,845,072</b>
 <b>EXPENSES</b>		
Program	1,432,540	1,111,496
Management and General	287,648	146,895
Fundraising	323,877	195,143
Total Expenses	\$ 2,044,065	\$ 1,453,534
 <b>CHANGE IN NET ASSETS</b>	\$ 496,039	\$ 391,538
 <b>NET ASSETS</b>		
Beginning of year	\$ 2,065,416	\$ 1,673,878
End of year	\$ 2,561,455	\$ 2,065,416

The accompanying notes are an integral part of the financial statements

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 496,039	\$ 391,539
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	144,024	4,824
Realized (gain) loss from investments	(5,404)	3,096
Unrealized (gain) loss on investments	(57,438)	(30,090)
Decrease (increase) in assets		
Accounts receivable	(116,102)	195,655
Accrued investment interest receivable	-	1,565
Prepaid expenses	(263,608)	1,447
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	33,086	(180,876)
Deferred Revenue	3,276	23,961
Grant obligation payable	(38,327)	34,327
Net Cash Provided by (Used in) Operating Activities	<u>195,548</u>	<u>445,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from investment	(23,624)	25,429
Purchase of investments	-	-
Property and equipment improvements, net	<u>(197,361)</u>	<u>(6,759)</u>
Net Cash Used in Investing Activities	<u>(220,985)</u>	<u>18,670</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(25,437)	464,118
<b>CASH AND CASH EQUIVALENTS -</b>		
Beginning of year	<u>1,184,298</u>	<u>720,180</u>
End of year	<u>\$ 1,158,861</u>	<u>\$ 1,184,298</u>

The accompanying notes are an integral part of the financial statements

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017, 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 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



SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

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, 2017 and 2016.

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, seven and thirty-nine years, and special depreciation methods were used for assets put into use in 2017. Depreciation expense totaled \$144,024 and \$4,824 for the years ended December 31, 2017 and 2016 respectively.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the accompanying schedule of functional expenses. Accordingly, certain costs have been allocated to programs and supporting services based upon direct costs.

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 September 14, 2018, the date which the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements 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**  
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind contributions

In-kind services are recognized as a contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Various individuals and organizations contributed services for the Organizations' infrastructure. The current facility was updated and improvements of \$188,599 were made in the year 2017. Additionally, occupancy expenses such as rent were also donated to the Organization for the year 2017. Donated services are recorded at fair value as of the date of the donation and are included in In-kind contributions as revenue in the accompanying financial statements.

A significant number of unpaid volunteers contribute time to the Organization. The value of these services is not reflected in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America because the time contributed was for non-specialized services, and the recognition criteria was not met.

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*.

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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, 2017 and 2016. The Organization's Forms 990, Return of Organization Exempt 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.

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Fair Value Measurements (Continued)

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:

December 31, 2017	Fair Value Measurements Using Input Type			
	Level 1	Level 2	Level 3	Total
Equities	\$ 870,417	\$ 0	\$	\$ 870,417
Fixed Income	0	214,216		214,216
Accrued Interest	1,662	0		1,662
	\$ 872,079	\$ 214,216	\$ 0	\$ 1,086,295

**NOTE 2 - CONCENTRATION OF CASH BALANCES**

At December 31, 2017 and 2016, and at various times during the year, the Organization maintained cash in-bank balances in excess of the federally insured limit of \$250,000. The Organization monitors the credit worthiness of these financial institutions and has not experienced any losses on its cash and cash equivalents.

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

Major funding sources include corporate and individual contributions, foundations and revenue generated by various special events. The Polar Plunge is the Organization's largest event which not only constitutes for more than 50% of the revenue but is the largest event to increase awareness and educate the public on the athletes and the mission of the organization.

SPECIAL CHILDREN'S CHARITIES  
**NOTES TO FINANCIAL STATEMENTS**  
YEARS ENDED DECEMBER 31, 2017 AND 2016

**NOTE 4 – PROPERTY AND EQUIPMENT**

FIXED ASSETS	2017	2016
Equipment	\$ 16,171	\$ 7,409
Vehicles	28,335	28,335
Leasehold Improvements	188,599	-0-
Total	<u>\$233,105</u>	<u>\$ 35,744</u>
Less ACCUMULATED DEPRECIATION		
Equipment	\$ (10,903)	\$ (1,690)
Vehicles	(26,703)	(23,438)
Leasehold Improvements	(131,546)	-0-
Total	<u>\$ (169,152)</u>	<u>\$ (25,128)</u>
PROPERTY & EQUIPMENT, NET	<u>\$ 63,953</u>	<u>\$ 10,616</u>

**SPECIAL CHILDREN'S CHARITIES**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2017 and 2016**

	2017			
	Program Services	Management and General	Fundraising	Total Expenses
Special Olympics program	\$ 1,119,602	\$ -	\$ -	\$ 1,119,602
Board of directors expenses	-	9,295	-	9,295
Outside support	50,410	67,468	59,557	177,435
Professional fees	-	43,050	-	43,050
Payroll and payroll taxes	37,638	37,638	75,276	150,552
Park program support	61,736	-	-	61,736
Public support and outreach	92,932	-	32,091	125,023
Occupancy expenses	25,954	46,970	66,845	139,769
Insurance	-	4,042	-	4,042
Telephone and internet	4,096	5,735	6,554	16,385
Office expense	8,962	16,526	27,664	53,152
Depreciation	31,210	56,924	55,890	144,024
Total Expenses	\$ 1,432,540	\$ 287,648	\$ 323,877	\$ 2,044,065

	2016			
	Program Services	Management and General	Fundraising	Total Expenses
Special Olympics program	\$ 890,377	\$ -	\$ -	\$ 890,377
Board of directors expenses	-	4,730	-	4,730
Outside support	44,412	59,715	62,288	166,415
Professional fees	-	33,219	-	33,219
Payroll and payroll taxes	23,149	23,149	46,298	92,596
Park program support	57,676	-	-	57,676
Public support and outreach	81,751	-	19,226	100,977
Occupancy expenses	4,916	9,833	20,327	35,076
Insurance	-	3,959	-	3,959
Telephone and internet	2,781	3,893	4,449	11,123
Office expense	3,169	6,838	42,555	52,562
Depreciation	3,264	1,560	-	4,824
Total Expenses	\$ 1,111,496	\$ 146,895	\$ 195,142	\$ 1,453,534

The accompanying notes are an integral part of the financial statements