



Special Children's Charities

Financial Statements
Year ended December 31, 2018



Sassetti

CERTIFIED PUBLIC ACCOUNTANTS



SPECIAL CHILDREN'S CHARITIES
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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The Board of Directors
Special Children's Charities
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Special Children's Charities (an Illinois nonprofit organization) which are comprised of the statement of financial position as of December 31, 2018, 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.

Auditors' 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 as of December 31, 2018, 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.

Emphasis of Matter

As described in Note 4, Special Children's Charities improperly recognized accumulated depreciation on property and equipment during the year ended December 31, 2017. Effective January 1, 2018, net assets have been adjusted for correction of this misstatement. Our opinion on the December 31, 2018 financial statements is not modified with respect to this matter.

Sassetti LLC

August 22, 2019
Oak Park, Illinois

SPECIAL CHILDREN'S CHARITIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 1,676,045
Accounts receivable	614,653
Prepaid expenses	50,902
Investments	1,067,243
Property and equipment, net	<u>157,322</u>

Total Assets	<u><u>\$ 3,566,165</u></u>
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LIABILITIES

Accounts payable	\$ 299,545
Accrued expenses	22,203
Deferred revenue	<u>151,729</u>

Total Liabilities	<u>473,477</u>
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NET ASSETS

Without donor restrictions	<u>3,092,688</u>
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Total Net Assets	<u>3,092,688</u>
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Total Liabilities and Net Assets	<u><u>\$ 3,566,165</u></u>
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The accompanying notes are an integral part
of the financial statements.

SPECIAL CHILDREN'S CHARITIES
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Special events, gross revenues	\$ 2,424,486	\$ 40,637	\$ 2,465,123
Less: Special events, gross expenses	(749,389)	-	(749,389)
State grants	250,000	-	250,000
Corporate, foundation and individual contributions, and sponsorships	541,394	82,811	624,205
Donated goods and services	136,290	-	136,290
Investment income, net of investment fees	21,324	-	21,324
Realized and unrealized losses on investments	(60,480)	-	(60,480)
Miscellaneous income	18,624	-	18,624
Net assets released from donor restrictions	123,448	(123,448)	-
Total Revenues and Other Support	<u>2,705,697</u>	<u>-</u>	<u>2,705,697</u>
EXPENSES			
Program	1,565,189	-	1,565,189
Management and general	306,492	-	306,492
Fundraising	430,751	-	430,751
Total Expenses	<u>2,302,432</u>	<u>-</u>	<u>2,302,432</u>
CHANGE IN NET ASSETS	403,265	-	403,265
NET ASSETS -			
Beginning of year	2,561,455	-	2,561,455
Prior period adjustment	<u>127,968</u>	<u>-</u>	<u>127,968</u>
Beginning of year - adjusted	<u>2,689,423</u>	<u>-</u>	<u>2,689,423</u>
End of year	<u>\$ 3,092,688</u>	<u>\$ -</u>	<u>\$ 3,092,688</u>

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

SPECIAL CHILDREN'S CHARITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Advertising, promotions, and public relations	\$ 35,893	\$ 3,560	\$ 50,137	\$ 89,590
Apparel and uniforms	150,449	76	1,851	152,376
Athlete and community engagement	23,103	-	1,184	24,287
Audit and legal	-	26,854	-	26,854
Board costs	260	7,465	664	8,389
Facility and equipment	147,173	-	1,200	148,373
Grants	242,987	-	-	242,987
Insurance	-	6,574	165	6,739
Meals and entertainment	110,953	1,316	14,120	126,389
Merchandise and supplies	100,370	1,169	7,485	109,024
Occupancy	40,406	59,924	59,924	160,254
Office	16,414	13,457	11,241	41,112
Other professional fees	52,527	94,295	131,302	278,124
Outside support	36,732	29,415	8,316	74,463
Payroll and payroll taxes	127,203	34,096	105,004	266,303
Photography	18,074	-	2,998	21,072
Transportation	161,544	4,074	2,089	167,707
Travel	285,237	-	334	285,571
Utilities, telephone and internet	4,359	5,996	7,719	18,074
Miscellaneous	1,325	282	7,079	8,686
Depreciation	10,180	17,939	17,939	46,058
Total expenses	<u>\$ 1,565,189</u>	<u>\$ 306,492</u>	<u>\$ 430,751</u>	<u>\$ 2,302,432</u>

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

SPECIAL CHILDREN'S CHARITIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 403,265
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	46,058
Realized and unrealized losses on investments, net	60,480
 (Increase) decrease in assets	
Accounts receivable	(469,016)
Prepaid expenses	217,659
Other assets	2,748
Increase in liabilities	
Accounts payable	196,070
Accrued expenses	13,925
Deferred revenue	98,882
Net Cash Provided by Operating Activities	<u>570,071</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from investments	312,755
Purchases of investments	(354,183)
Purchases of property and equipment	<u>(11,459)</u>
Net Cash Used In Investing Activities	<u>(52,887)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 517,184

CASH AND CASH EQUIVALENTS -

Beginning of year	<u>1,158,861</u>
End of year	<u><u>\$ 1,676,045</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest	<u><u>\$ -</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>

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

SPECIAL CHILDREN'S CHARITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - 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 individuals, 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 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.

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

Classification of Net Assets - Net assets of the Organization are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Organization has no board designated funds at December 31, 2018.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash or other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. At December 31, 2018 there were no net assets with donor restrictions.

SPECIAL CHILDREN'S CHARITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Contributions - Contributions received are recorded as with donor restriction or without donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in without donor restricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets is reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions.

Income Tax Status - The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). 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 the Organization has no material unrelated business income for the year ended December 31, 2018. The Organization's Forms 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after it is filed.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Cash and cash equivalents consist of bank deposits in federally insured accounts. The Organization has deposits at a financial institution in excess of federally insured limits of approximately \$1,390,000 at December 31, 2018. The Organization monitors the credit worthiness of these financial institutions and has not experienced any losses on its cash and cash equivalents.

Accounts Receivable - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision for 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 written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance was deemed necessary by management at December 31, 2018.

Property and Equipment - The Organization capitalizes property and equipment acquisitions in excess of \$600. Property and equipment are recorded at cost if purchased and at fair value if contributed. Depreciation is calculated on a straight-line basis over the estimated useful lives of five to thirty-nine years or the lease term for leasehold improvements. Maintenance and repairs are charged to expense as incurred.

SPECIAL CHILDREN'S CHARITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Property and equipment at December, 31 2018 is summarized as follows:

Leasehold improvements	\$ 195,579
Vehicle	28,335
Equipment	20,649
	<hr/> 244,563
Less accumulated depreciation	87,241
	<hr/> \$ 157,322

Depreciation expense for the year ended December 31, 2018 was \$131,639.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon direct costs.

In-kind Contributions – The Organization recognizes in-kind contributed services and materials at their estimated fair value. Recognition occurs if the services have value to the Organization, are provided by individuals possessing specialized skills, and would have been purchased if not provided by contributions. During the year ended December 31, 2018, the Organization received \$136,590 of in-kind contributed occupancy expenses, \$2,540 of donated goods and \$91,542 of in-kind transaction fees.

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.

Change In Accounting Principle - 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. The major changes include: (a) requiring the presentation of only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that non-profit entities that chose to prepare the statements of cash flows using the direct method

SPECIAL CHILDREN'S CHARITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

must also present a reconciliation (the indirect method). The new standard was adopted for the Organization's December 31, 2018 financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the periods presented. The Organization's net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

Subsequent Events - The Organization has evaluated subsequent events through August 22, 2019, the date the financial statements were available to be issued.

2. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. These principles also established a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted (observable) market prices in active markets for identical assets or liabilities.

Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities 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 assets or liabilities; or

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's valuation methodology used to measure the fair values of mutual funds were derived from quoted market prices as all of these instruments have active markets.

SPECIAL CHILDREN'S CHARITIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Fair values of assets measured on a recurring basis were as follows:

	Fair value of investments at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	\$ 223,337	\$ -	\$ -	\$ 223,337
Equities	562,163	-	-	562,163
Mutual funds	281,743	-	-	281,743
Total investments at fair value	<u>\$ 1,067,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,243</u>

3. CONCENTRATION OF CREDIT RISK

The Organization's major funding sources include corporate, individual and foundation contributions, and revenue generated by various special events. The Polar Plunge is the Organization's largest event which constitutes approximately 50% of the Organization's revenue.

4. PRIOR PERIOD ADJUSTMENT

Accumulated depreciation on property and equipment was improperly recognized for the year ended December 31, 2017. The correction of this error increased property and equipment, net and net assets by \$103,720 effective January 1, 2018.

5. RECENT ACCOUNTING PRONOUNCEMENTS

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 (receivables) and lease liabilities (leasehold obligations) on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of revenue recognition in the statement of activities. The new standard will be effective for the Organization's December 31, 2021 financial statements. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance on how to determine if a contribution is conditional. The new standard will be effective for transactions that occur during the Organization's fiscal year ended December 31, 2019. Early adoption is permitted.

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