

**SPECIAL OLYMPICS  
KANSAS, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2009**

# IFFT & CO. PA

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Special Olympics Kansas, Inc.  
Mission, Kansas

We have audited the accompanying statement of financial position of Special Olympics Kansas, Inc., a Kansas nonprofit corporation, as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Kansas, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ifft & Co. PA*

July 16, 2010

**SPECIAL OLYMPICS KANSAS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009**

<b>ASSETS</b>	<b>Headquarters and Area Offices</b>	<b>Local Offices</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Cash	\$ 69,709	578,552	648,261
Investments	-	52,642	52,642
Receivable from Greater Kansas City Community Foundation	240,947	11,452	252,399
Accounts receivable	45,413	-	45,413
Inventory	5,335	-	5,335
Prepaid expenses	100	-	100
Cash value of life insurance	69,640	-	69,640
Property and equipment, net	<u>250,550</u>	<u>1,756</u>	<u>252,306</u>
 TOTAL ASSETS	 <u>\$ 681,694</u>	 <u>644,402</u>	 <u>1,326,096</u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 112,084	-	112,084
Accrued expenses and payroll withholdings	41,134	-	41,134
Refundable grant advance - Project Unify	19,772	-	19,772
Bank line of credit	<u>55,000</u>	<u>-</u>	<u>55,000</u>
 TOTAL LIABILITIES	 <u>227,990</u>	 <u>-</u>	 <u>227,990</u>
 <b>NET ASSETS</b>			
Unrestricted			
Undesignated	279,552	644,402	923,954
Board designated	50,000	-	50,000
Temporarily restricted	69,152	-	69,152
Permanently restricted	<u>55,000</u>	<u>-</u>	<u>55,000</u>
 TOTAL NET ASSETS	 <u>453,704</u>	 <u>644,402</u>	 <u>1,098,106</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 681,694</u>	 <u>644,402</u>	 <u>1,326,096</u>

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

**SPECIAL OLYMPICS KANSAS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2009**

	<b>Headquarters and Area Offices</b>	<b>Local Offices</b>	<b>Total</b>
<b>UNRESTRICTED NET ASSETS</b>			
Revenues, gains, and other support			
Direct marketing contributions	\$ 559,834	-	559,834
In-kind contributions	128,049	20,148	148,197
Other contributions	301,307	203,322	504,629
Project Unify grant	68,882	-	68,882
Assessments	104,307	72,274	176,581
Special Olympics International cooperative projects	13,435	-	13,435
Special events	634,198	370,914	1,005,112
Interest and dividends	97	1,261	1,358
Income from funds held at Greater Kansas City Community Foundation	20,050	1,043	21,093
	1,830,159	668,962	2,499,121
Net assets released from restrictions	40,352	-	40,352
	1,870,511	668,962	2,539,473
<b>EXPENSES</b>			
Program	1,263,347	549,506	1,812,853
Management and general	130,142	-	130,142
Fundraising	478,402	105,818	584,220
	1,871,891	655,324	2,527,215
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 (1,380)	 13,638	 12,258
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
Contributions	36,934	-	36,934
Income from permanently restricted funds held at Greater Kansas City Community Foundation	32,218		32,218
Net assets released from restrictions	(40,352)	-	(40,352)
 INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	 28,800	 -	 28,800
 INCREASE IN NET ASSETS	 27,420	 13,638	 41,058
NET ASSETS, BEGINNING OF YEAR	438,084	618,964	1,057,048
TRANSFERS	(11,800)	11,800	-
NET ASSETS, END OF YEAR	\$ 453,704	644,402	1,098,106

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

**SPECIAL OLYMPICS KANSAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2009**

	Headquarters and Area Offices			Local Offices			
	Program	Management and General	Fund-raising	Total	Program	Fund-raising	Total
Salaries and temporary help	\$ 437,478	91,629	141,133	670,240	-	-	670,240
Payroll taxes and benefits	119,653	26,966	36,385	183,004	-	-	183,004
Professionals and consultants	11,165	3,641	139,436	154,242	162	-	154,404
Public education	170,422	-	-	170,422	550	-	170,972
Office supplies	4,588	415	922	5,925	6,819	-	12,744
Telephone	9,609	459	584	10,652	2,291	-	12,943
Postage and shipping	2,061	265	408	2,734	4,330	-	7,064
Rent	6,900	-	-	6,900	3,307	-	10,207
Equipment rental and maintenance	6,842	728	1,176	8,746	10,930	-	19,676
Contractual services	-	-	-	-	42,021	-	42,021
Travel, meetings and conferences	27,880	615	67	28,562	266,474	-	295,036
Utilities	6,366	787	1,001	8,154	-	-	8,154
Janitorial services	2,814	413	525	3,752	-	-	3,752
Printing and reproduction	1,203	125	190	1,518	2,204	-	3,722
Insurance	26,023	1,348	2,400	29,771	1,432	-	31,203
Memberships, books and subscriptions	1,460	300	6,031	7,791	350	-	8,141
Games expense	195,259	-	-	195,259	117,609	-	312,868
Special events	-	-	106,180	106,180	-	99,774	205,954
Chapter assessment fees	51,883	-	-	51,883	-	-	51,883
Team fees	-	-	-	-	51,605	-	51,605
Team grant	-	-	-	-	2,550	-	2,550
Depreciation	14,637	1,809	2,301	18,747	1,028	-	19,775
Interest	901	146	168	1,215	-	-	1,215
In-kind expenses	89,634	-	38,415	128,049	14,104	6,044	148,197
Other	76,569	496	1,080	78,145	21,740	-	99,885
	<u>\$ 1,263,347</u>	<u>130,142</u>	<u>478,402</u>	<u>1,871,891</u>	<u>549,506</u>	<u>105,818</u>	<u>2,527,215</u>

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

**SPECIAL OLYMPICS KANSAS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2009**

	<u>Headquarters and Area Offices</u>	<u>Local Offices</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Increase in net assets	\$ 27,420	13,638	41,058
Transfers	(11,800)	11,800	-
Adjustments to reconcile change in net assets to net cash from operating activities			
Depreciation	18,747	1,028	19,775
Loss on disposition of property and equipment	126	-	126
(Increase) decrease in:			
Receivable from Greater Kansas City Community Foundation	(99,768)	(1,282)	(101,050)
Accounts receivable	3,086	-	3,086
Promises receivable	60,000	-	60,000
Inventory	2,351	-	2,351
Prepaid expenses	278	-	278
Cash value of life insurance	(4,772)	-	(4,772)
Increase (decrease) in:			
Accounts payable	8,308	(1,657)	6,651
Accrued expenses and payroll withholdings	(5,793)	-	(5,793)
Refundable grant advance - Project Unify	(19,031)	-	(19,031)
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>(20,848)</u>	 <u>23,527</u>	 <u>2,679</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net purchase of investments	<u>-</u>	<u>(10,337)</u>	<u>(10,337)</u>
 NET INCREASE (DECREASE) IN CASH	 (20,848)	 13,190	 (7,658)
 CASH, BEGINNING OF YEAR	 <u>90,557</u>	 <u>565,362</u>	 <u>655,919</u>
 CASH, END OF YEAR	 <u>\$ 69,709</u>	 <u>578,552</u>	 <u>648,261</u>
  CASH PAID FOR INTEREST	  <u>\$ 1,215</u>	  <u>-</u>	  <u>1,215</u>

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

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Special Olympics Kansas, Inc.  
Mission, Kansas

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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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Kansas, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ifft + Co. PA*

July 16, 2010

**SPECIAL OLYMPICS KANSAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Special Olympics Kansas, Inc. is a Kansas nonprofit corporation that provides sports training and athletic competition in a variety of Olympic-type sports for children and adults with mental retardation.

The accompanying financial statements include the combined accounts of the headquarters office and all local and area programs. Local and area teams raise and maintain their own funds to support athletes in their area.

Recognition of Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support 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 restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Inventory

Inventory consists of sportswear and promotional items which are recorded using the first in, first out method.

Accounts Receivable

Receivables are due within thirty days from billing. Accounts outstanding longer than the contractual payment terms are considered past due. The Organization writes off receivables as they become uncollectible. The allowance for doubtful accounts is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. No allowance for doubtful accounts was considered necessary at December 31, 2009.



**SPECIAL OLYMPICS KANSAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Donated assets are recorded at fair market value at date received. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Direct Marketing Contributions

The Organization has contracted with a telemarketing agency to conduct direct marketing campaigns to raise funds and to increase public knowledge and awareness of the Organization's mission and activities. The campaigns for the year ended December 31, 2009, resulted in contributions of \$559,834. The campaigns incurred total costs of \$309,858 that included both a fundraising appeal and public education content. Costs of \$170,422 were allocated to program expenses and \$139,436 was allocated to fundraising. The net amount received is \$249,976.

In-kind Contributions

The Organization records the value of contributed goods or services when there is an objective basis available to measure their value. Contributed materials and equipment are reflected as revenues and expenses in the accompanying financial statements at their estimated values at date of receipt. The expenses are allocated to the respective programs.

A substantial number of volunteers donated significant amounts of their time to assist in the Organization's program services. The value of their service does not meet the criteria to record in the accompanying financial statements. The estimated value of volunteer hours during 2009 is \$495,487 for the headquarters and area offices, and \$978,450 for the local offices.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Cash Flows

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with initial maturities of less than three months to be cash equivalents.

**SPECIAL OLYMPICS KANSAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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.

Income Taxes

The Organization qualifies as exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization adopted the provisions of *FASB Accounting Standards Codification*<sup>™</sup> (ASC) 740, *Income Taxes*, on January 1, 2009. The Organization is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to income tax examinations by the applicable tax authorities for the years before 2006. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income taxing authorities as operating expenses.

Subsequent Events

Subsequent events have been evaluated through July 16, 2010, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are recorded at fair value, which is based on quoted market prices at December 31, 2009. Total investments of \$52,642 at December 31, 2009, consist of certificates of deposit with initial maturities of more than three months.

NOTE 3 – RECEIVABLE FROM GREATER KANSAS CITY COMMUNITY FOUNDATION

During 2009, the Organization established a fund, with eight sub-funds, at Greater Kansas City Community Foundation (GKCCF). Disbursements can be made, with board authorization and upon approval of the board of directors of GKCCF. At December 31, 2009, assets held by GKCCF are \$252,399. See Note 7 for discussion of the endowment fund at GKCCF.

**SPECIAL OLYMPICS KANSAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of:

Land	\$ 78,000
Office building	303,187
Furniture and equipment	31,904
Automobiles	<u>49,282</u>
	462,373
Accumulated depreciation	<u>(210,067)</u>
	<u>\$ 252,306</u>

Depreciation expense for the year ended December 31, 2009, is \$19,775.

**NOTE 5 - REFUNDABLE GRANT ADVANCE**

During 2009, Special Olympics International (SOI) received a large grant from the U.S. Department of Education. The Organization is a subrecipient of a portion of this grant. Proceeds are to be used for a program, Program Unify, which assists younger athletes through their local schools. As of December 31, 2009, the Organization had \$19,772 in unexpended funds received for Project Unify.

**NOTE 6 - BANK LINE OF CREDIT**

The Organization had a revolving \$60,000 line of credit with a bank. Advances on the line of credit were payable on demand. The line of credit was secured by certain assets of the Organization. In September 2009, the bank elected to not renew the line of credit. The Organization was in the process of refinancing a new line of credit agreement with a new bank at December 31, 2009 but had not completed the refinance process and was considered to be in default by the original bank. In February 2010, the refinancing process was completed and the line of credit was moved to the new bank. The outstanding balance on the line of credit at December 31, 2009 is \$55,000.

**NOTE 7 – NET ASSETS**

At December 31, 2009, net assets of \$69,152 are temporarily restricted. Of this amount, \$32,218 relates to the endowment discussed on the next page. The balance, \$36,934, is temporarily restricted for games to be held in 2010.

At December 31, 2009, net assets of \$55,000 are permanently restricted. Of this amount, \$50,000, relates to the endowment discussed on the next page. Net earnings on the balance, \$5,000, are unrestricted.

**SPECIAL OLYMPICS KANSAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

NOTE 7 – NET ASSETS (Continued)

Endowment

During 2008, the Organization entered into an agreement with a local foundation to establish an endowment. The Organization deposited \$50,000 into a reserve sub-fund at GKCCF. This portion of the endowment is board designated and can be used upon appropriate board and GKCCF approval. As of December 31, 2008, the Organization recorded a promise receivable from the local foundation for \$50,000. In 2009, the local foundation deposited \$50,000 into this sub-reserve fund at GKCCF. The foundation's portion of the endowment is permanently restricted. Should the agreement with the local foundation be terminated, \$50,000 would be repaid to the foundation along with a portion of earnings thereon.

Net earnings on the total endowment are temporarily restricted. At the end of each calendar year, Net Annual Return is calculated as the total of investment income less expenses, exclusive of long term capital gains and losses and unrealized gains and losses. This amount is available for distribution with GKCCF approval. The local foundation has provided an example of acceptable uses for any distributions which will be used by GKCCF as a guideline for its approval of distributions. Net Annual Return for 2009 is \$1,180. No distributions were made in 2009.

The following table presents a reconciliation of the beginning and ending balances of the donor-restricted and board-designated endowment fund for the year ended December 31, 2009.

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Balance, January 1, 2009	\$ 50,000	-	50,000	100,000
Contributions	-	-	-	-
Expenditures	-	(1,489)	-	(1,489)
Interest and dividends	-	1,711	-	1,711
Short-term realized gains	-	958	-	958
Unrealized gains	-	<u>31,038</u>	-	<u>31,038</u>
Balance, December 31, 2009	<u>\$ 50,000</u>	<u>32,218</u>	<u>50,000</u>	<u>132,218</u>

The Board of Directors has established investment policies for the endowment fund. These policies seek to provide a reasonable rate of return on investments while minimizing investment risk. The Organization has interpreted the State Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as permanently restricted net assets.

**SPECIAL OLYMPICS KANSAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 8 - AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS**

The Organization is accredited by SOI to conduct Special Olympics activities within Kansas. During the year ended December 31, 2009, the Organization received \$13,435 from SOI cooperative national fundraising projects and paid \$51,883 to SOI for program support. At December 31, 2009, SOI owes the Organization \$22,167 for its share of national direct marketing, and the Organization owes SOI \$63,192 which is primarily for past due accreditation fees.

**NOTE 9 - RETIREMENT PLAN**

The Organization has a tax deferred annuity plan subject to Section 403(b) of the Internal Revenue Code that covers substantially all full-time and half-time employees. No employer contributions were made to the plan in 2009.