

**SPECIAL OLYMPICS
KANSAS, INC.**

FINANCIAL STATEMENTS

December 31, 2012

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 financial statements of Special Olympics Kansas, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, 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 auditors' 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 Olympics Kansas, Inc. as of December 31, 2012, 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.

JFF & Co. PA

January 15, 2014

SPECIAL OLYMPICS KANSAS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS	<u>Headquarters and Area Offices</u>	<u>Local Offices</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 149,143	663,321	812,464
Certificates of deposit	-	6,862	6,862
Investments	377,828	13,167	390,995
Accounts receivable	56,643	5,000	61,643
Inventory	5,109	-	5,109
Prepaid expenses	<u>1,831</u>	<u>-</u>	<u>1,831</u>
TOTAL CURRENT ASSETS	590,554	688,350	1,278,904
DEFERRED COMPENSATION INVESTMENTS	86,879	-	86,879
CASH VALUE OF LIFE INSURANCE	82,962	-	82,962
PROPERTY AND EQUIPMENT, net	<u>232,664</u>	<u>7,536</u>	<u>240,200</u>
TOTAL ASSETS	<u>\$ 993,059</u>	<u>695,886</u>	<u>1,688,945</u>
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 14,231	-	14,231
Accrued vacation	47,153	-	47,153
Refundable grant advance - Project Unify	<u>7,844</u>	<u>-</u>	<u>7,844</u>
TOTAL CURRENT LIABILITIES	69,228	-	69,228
DEFERRED COMPENSATION LIABILITY	<u>86,879</u>	<u>-</u>	<u>86,879</u>
TOTAL LIABILITIES	156,107	-	156,107
NET ASSETS			
Unrestricted			
Undesignated	549,730	695,886	1,245,616
Board-designated	50,000	-	50,000
Temporarily restricted	173,222	-	173,222
Permanently restricted	<u>64,000</u>	<u>-</u>	<u>64,000</u>
TOTAL NET ASSETS	<u>836,952</u>	<u>695,886</u>	<u>1,532,838</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 993,059</u>	<u>695,886</u>	<u>1,688,945</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, 2012

	Headquarters and Area Offices	Local Offices	Total
UNRESTRICTED NET ASSETS			
Revenues, gains, and other support			
Direct marketing contributions	\$ 421,003	-	421,003
Other contributions	322,565	361,106	683,671
Project Unify grant	29,656	-	29,656
Assessments	104,762	15,000	119,762
Special Olympics International cooperative projects	24,576	-	24,576
Special events	738,100	301,834	1,039,934
Interest and dividend income	5,467	654	6,121
Unrealized gain (loss) on investments	13,071	(556)	12,515
Realized gain on investments	2,103	-	2,103
In-kind contributions	160,334	6,013	166,347
Net assets released from restrictions	57,339	-	57,339
	1,878,976	684,051	2,563,027
EXPENSES			
Program	1,362,101	581,094	1,943,195
Management and general	139,460	-	139,460
Fundraising	336,487	102,403	438,890
	1,838,048	683,497	2,521,545
CHANGE IN UNRESTRICTED NET ASSETS	40,928	554	41,482
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	110,261	-	110,261
Interest and dividend income	1,156	-	1,156
Unrealized gain on investments	14,493	-	14,493
Realized loss on investments	(408)	-	(408)
Net assets released from restrictions	(57,339)	-	(57,339)
	68,163	-	68,163
CHANGE IN NET ASSETS	109,091	554	109,645
NET ASSETS, BEGINNING OF YEAR	727,861	695,332	1,423,193
NET ASSETS, END OF YEAR	\$ 836,952	695,886	1,532,838

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, 2012

	Headquarters and Area Offices			Local Offices			
	Program	Management and General	Fundraising	Total	Program	Fundraising	Total
Salaries and temporary help	\$ 573,925	120,691	117,659	812,275	-	-	812,275
Payroll taxes and benefits	40,858	7,993	8,736	57,587	-	-	57,587
Professionals and consultants	15,978	2,116	102,201	120,295	455	455	120,750
Public education	121,485	-	-	121,485	-	-	121,485
Office supplies	4,899	400	1,384	6,683	5,310	5,310	11,993
Telephone	11,836	406	517	12,759	3,676	3,676	16,435
Postage and shipping	1,475	191	858	2,524	6,879	6,879	9,403
Rent	7,250	-	-	7,250	4,029	4,029	11,279
Equipment rental and maintenance	8,207	800	1,019	10,026	-	-	10,026
Contract labor	-	-	-	-	52,518	-	52,518
Travel, meetings, and conferences	19,496	1,963	32,681	54,140	227,821	-	281,961
Utilities	6,351	760	896	8,007	-	-	8,007
Janitorial services	3,860	566	721	5,147	-	-	5,147
Printing and reproduction	444	87	2,062	2,593	934	934	3,527
Insurance	19,679	647	824	21,150	2,203	2,203	23,353
Memberships and subscriptions	12,513	300	364	13,177	1,641	1,641	14,818
Games expense	257,617	-	-	257,617	201,114	-	458,731
Special events	35,318	-	57,263	92,581	-	102,403	194,984
Chapter assessment fees	34,257	-	-	34,257	-	-	34,257
Team fees	-	-	-	-	60,755	-	60,755
Depreciation	14,785	2,168	2,760	19,713	1,964	1,964	21,677
Interest	55	8	10	73	-	-	73
In-kind expenses	160,334	-	-	160,334	6,013	-	166,347
Other	11,479	364	6,532	18,375	5,782	-	24,157
Total	\$ 1,362,101	139,460	336,487	1,838,048	581,094	102,403	2,521,545

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, 2012

	Headquarters and Area Offices	Local Offices	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 109,091	554	109,645
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	19,713	1,964	21,677
Gain on disposal of equipment	(2,000)	-	(2,000)
Unrealized gain on investments	(27,564)	556	(27,008)
Realized gain on investments	(1,695)	-	(1,695)
Changes in operating assets and liabilities			
Accounts receivable	3,253	(5,000)	(1,747)
Inventory	(330)	-	(330)
Prepaid expenses	1,044	-	1,044
Accounts payable	(31,204)	-	(31,204)
Accrued vacation	(809)	-	(809)
Refundable grant advance - Project Unify	(29,656)	-	(29,656)
Deferred compensation liability	11,930	-	11,930
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	51,773	(1,926)	49,847
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemptions of certificates of deposit	-	36,254	36,254
Proceeds from sale of equipment	2,000	-	2,000
Purchases of equipment	(20,245)	(9,500)	(29,745)
Proceeds from sale of investments	94,113	-	94,113
Purchases of investments	(158,230)	(1,330)	(159,560)
Change in cash value of life insurance	(4,474)	-	(4,474)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(86,836)	25,424	(61,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on line-of-credit	(20,000)	-	(20,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,063)	23,498	(31,565)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	204,206	639,823	844,029
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 149,143	663,321	812,464
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	\$ 73	-	73

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

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 intellectual disabilities.

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Organization reports 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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed restrictions but may be subject to Board designations.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization had permanently restricted net assets of \$64,000 at December 31, 2012.

Recognition of Donor 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. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash Equivalents

The Organization considers all highly liquid investments purchased with initial maturities of less than three months to be cash equivalents. Certificates of deposit with initial maturities longer than three months are shown separately in the accompanying statement of financial position.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Event Cash Account

The Organization maintains deposits received for specific special events in a separate bank account.

Accounts Receivable

The Organization's receivables are due within thirty days from billing, and are recorded at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the debtor's current ability to pay its obligations to the Organization, and the condition of the general economy as a whole. The Organization writes off receivables when they become uncollectible. At December 31, 2012, the Organization considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

Property and Equipment

The Organization capitalizes all significant acquisitions of property and equipment, which are recorded at cost. Donated property and equipment are recorded at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Inventory

Inventory consists of sportswear and promotional items. All inventories are valued at the lower of cost or market, with cost being determined using the first-in, first-out (FIFO) 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 resulted in contributions of \$421,003 for the year ended December 31, 2012. The campaigns incurred total costs of \$219,055 that included both a fundraising appeal and public education content. Costs of \$121,485 were allocated to program expenses and \$97,570 was allocated to fundraising. The net amount received was \$201,948.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of material and equipment from various donors. It is the policy of the Organization to record the estimated fair value of these in-kind contributions.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Contributions - continued

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.

Income Taxes

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements.

The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

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 2009. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income tax authorities as operating expenses

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 based on management estimates. Management and general 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.

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.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

Subsequent events have been evaluated through January 15, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Organization classifies its assets and liabilities into Level 1 (securities valued using quoted market prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs for assets and liabilities measured at fair value pursuant to the valuation hierarchy.

- Funds held by a community foundation in pooled investment funds are valued at the net asset value (NAV) of shares held by the Organization at the reporting date. These pooled investment funds are invested in money market, equity, and fixed income funds. The fair value of the underlying assets is used to determine the NAV of the pooled fund, which is not publicly quoted.
- Interest-bearing cash instruments, exchange traded funds, and corporate common stocks are valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds are valued at the net asset value of the shares held by the Organization at the reporting date.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - FAIR VALUE MEASUREMENTS - Continued

The following table summarizes the valuation of investments measured at fair value on a recurring basis in the accompanying statement of financial position, including the additional requirement to classify securities by major category, which is defined as the major security type classifications within ASC 820.

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-bearing cash instruments	\$ 18,224	-	-	18,224
U.S. common stocks	12,940	-	-	12,940
Mutual funds - U.S. equity	176,635	-	-	176,635
Mutual funds - International equity	24,640	-	-	24,640
Mutual funds - U.S. fixed income	91,013	-	-	91,013
Exchange traded funds - U.S. equity	7,129	-	-	7,129
Exchange traded funds - International equity	1,818	-	-	1,818
Money market pool	-	35,164	-	35,164
Fixed income pool	-	80,600	-	80,600
Equity pool	-	29,711	-	29,711
	<u>\$ 332,399</u>	<u>145,475</u>	<u>-</u>	<u>477,874</u>

Additional information about Level 2 investments where fair value is estimated using NAV are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>	<u>Redemption restrictions</u>
Money market pool	\$ 35,164	None	None	Immediate	None
Fixed income pool	80,600	None	None	Immediate	None
Equity income pool	<u>29,711</u>	None	None	Immediate	None
	<u>\$ 145,475</u>				

Disbursements can be made with authorization by the Board of Directors.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - DEFERRED COMPENSATION PLAN

The Company has established a non-qualified deferred compensation plan for certain key employees that provides compensation benefits to the employees upon termination or retirement. As of December 31, 2012, the accrued liability related to the deferred compensation plan was \$86,879, which equaled the assets dedicated to the plan.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

Land	\$ 78,000
Office building	303,187
Furniture and equipment	46,882
Automobiles	<u>29,774</u>
	457,843
Less accumulated depreciation	<u>217,643</u>
	<u>\$ 240,200</u>

NOTE 5 - REFUNDABLE GRANT ADVANCE

During the year ended December 31, 2009, Special Olympics International (SOI) received a large multi-year 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, 2012, the Organization had \$7,844 in unexpended funds received for Project Unify.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2012, net assets of \$173,222 were temporarily restricted. Of this amount, \$60,561 were restricted for games to be held in 2013 and \$49,700 were grants restricted for use in 2013. The remaining \$62,961 related to the endowment discussed at Note 7.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - ENDOWMENT

During the year ended December 31, 2009, the Organization entered into an agreement with a local foundation to establish an endowment. The Organization deposited \$50,000 into an investment fund at the Greater Kansas City Community Foundation, and the local foundation contributed an additional \$50,000. During the year ended December 31, 2010, the local foundation contributed an additional \$9,000 into the endowment. Should the agreement with the local foundation be terminated, \$59,000 would be repaid to the foundation along with a portion of earnings thereon. The Organization also has an additional \$5,000 of unrelated permanently restricted net assets.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from the desired amount. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places emphasis on interest-bearing cash instruments, fixed income securities, and equity-based investments.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - ENDOWMENT - Continued

At the end of each calendar year, Net Annual Return (NAR) is calculated as the total of investment income less expenses, exclusive of long term capital gains and unrealized gains and losses. This amount is available for distribution with Board approval. The local foundation has provided a guideline for acceptable uses. Cumulative investment income less expenses, net of NAR, is temporarily restricted.

The investment transactions related to the endowment during 2012 and the nature of restrictions are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2011	\$ 50,000	47,720	64,000	161,720
Interest and dividends	-	3,661	-	3,661
Realized losses	-	(408)	-	(408)
Unrealized gains	-	14,493	-	14,493
Investment fees	-	(2,505)	-	(2,505)
December 31, 2012	<u>\$ 50,000</u>	<u>62,961</u>	<u>64,000</u>	<u>176,961</u>

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, 2012, the Organization received \$24,576 from SOI cooperative national fundraising projects and paid \$34,257 to SOI for program support. In addition, during the year ended December 31, 2012, the Organization received \$49,700 in grants from SOI restricted for 2013 activities. At December 31, 2012, SOI owed the Organization \$17,251 for its share of national fundraising efforts.

NOTE 9 - RETIREMENT PLAN

The Organization has a 403(b) retirement plan that covers substantially all employees. The Plan is funded with employee contributions with no employer contributions.

SPECIAL OLYMPICS KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 - IN-KIND REVENUE

In-kind revenue consisted of the following for the year ended December 31, 2012:

Games expenses	\$ 111,871
Office supplies	205
Professional fees	51,171
Travel expenses	<u>3,100</u>
	<u>\$ 166,347</u>

NOTE 11 - OPERATING LEASE

The Organization leases certain equipment under a non-cancelable operating lease agreement that expires in January 2015. Total rent expense for the year ended December 31, 2012 was \$3,208 and was included in rent expenses in the accompanying statement of functional expenses.

Future minimum rental payments required under these operating leases were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 3,288
2014	3,288
2015	<u>274</u>
	<u>\$ 6,850</u>

NOTE 12 - CONCENTRATIONS OF RISK

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Organization's net assets as of December 31, 2011 have been reclassified, resulting in a decrease in board-designated unrestricted net assets and an increase in temporarily restricted net assets of \$47,720 related to the endowment discussed in Note 7. This reclassification had no effect on the change in net assets for the year ended December 31, 2012.