



Special Olympics
Arkansas

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
December 31, 2018 and 2017**

(With Independent Auditor's Report Thereon)



Special Olympics Arkansas

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Special Olympics Arkansas
North Little Rock, Arkansas

Report on the financial Statements

We have audited the accompanying financial statements of **Special Olympics Arkansas (Special Olympics)**, which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 on the preceding page present fairly, in all material respects, the financial position of **Special Olympics Arkansas** as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2(p) to the financial statements, management has elected to adopt the Financial Accounting Standards Board Accounting Standards Update No. 2016-14 in 2018. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of governmental assistance, required by the State of Arkansas Department of Human Services, is presented for 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 schedule of governmental assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of Special Olympics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Special Olympics' internal control over financial reporting and compliance.

Landmark PLLC
Certified Public Accountants

April 26, 2019
Little Rock, Arkansas

Financial Statements

Special Olympics Arkansas

STATEMENTS OF FINANCIAL POSITION December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 733,309	\$ 523,518
Investments	1,344,681	1,730,784
Contributions receivable	1,909	17,733
Grants receivable	89,897	104,795
Beneficial interest in assets held at the Arkansas Community Foundation	415,555	481,533
Property and equipment, net	<u>128,818</u>	<u>111,388</u>
TOTAL ASSETS	<u>\$ 2,714,169</u>	<u>\$ 2,969,751</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued expenses	<u>\$ 12,291</u>	<u>\$ 38,536</u>
Total Liabilities	<u>12,291</u>	<u>38,536</u>
Net Assets		
Without donor restrictions		
Undesignated	1,113,174	1,242,979
Board designated	<u>1,173,149</u>	<u>1,206,703</u>
Total without donor restrictions	<u>2,286,323</u>	<u>2,449,682</u>
With donor restrictions	<u>415,555</u>	<u>481,533</u>
Total Net Assets	<u>2,701,878</u>	<u>2,931,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,714,169</u>	<u>\$ 2,969,751</u>

See accompanying notes to financial statements.

Special Olympics Arkansas

STATEMENTS OF ACTIVITIES Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support, Revenue, Gains and Losses		
Federal and state awards	\$ 328,767	\$ 329,369
Contributions	835,441	842,507
Program activities	3,037	28,496
Fundraising events	518,571	493,697
Investment income (loss), net	(82,016)	128,529
Investment income from beneficial interest in assets held at the Arkansas Community Foundation	35,514	-
Miscellaneous	49,055	52,752
Total Support, Revenue, Gains and Losses	<u>1,688,369</u>	<u>1,875,350</u>
Expenses		
Program services	1,337,258	1,293,497
Management and general	174,030	107,694
Fundraising	340,440	282,228
Total Expenses	<u>1,851,728</u>	<u>1,683,419</u>
(Decrease) Increase in Net Assets without Donor Restrictions	<u>(163,359)</u>	<u>191,931</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Net (depreciation) appreciation in fair value of beneficial interest in assets held at the Arkansas Community Foundation	<u>(65,978)</u>	<u>65,535</u>
(Decrease) Increase in Net Assets with Donor Restrictions	<u>(65,978)</u>	<u>65,535</u>
(DECREASE) INCREASE IN TOTAL NET ASSETS	(229,337)	257,466
NET ASSETS, BEGINNING OF YEAR	<u>2,931,215</u>	<u>2,673,749</u>
NET ASSETS, END OF YEAR	<u>\$ 2,701,878</u>	<u>\$ 2,931,215</u>

See accompanying notes to financial statements.

Special Olympics Arkansas

STATEMENTS OF FUNCTIONAL EXPENSES Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe	\$ 411,668	\$ 121,577	\$ 100,934	\$ 634,179	\$ 470,570	\$ 54,394	\$ 75,695	\$ 600,659
Program activities	684,711	-	42,951	727,662	619,002	1,661	7,924	628,587
Professional services	-	16,765	-	16,765	-	21,331	-	21,331
Equipment rental	3,042	380	380	3,802	2,816	352	352	3,520
Repairs and maintenance	7,547	839	-	8,386	6,638	738	-	7,376
Depreciation	8,890	494	494	9,878	6,080	338	338	6,756
Meals and entertainment	11,548	3,080	770	15,398	10,097	2,693	673	13,463
Insurance	18,551	2,182	1,091	21,824	23,985	2,822	1,411	28,218
Miscellaneous	8,343	404	4,000	12,747	9,461	602	4,000	14,063
Flowers and gifts	-	725	-	725	-	288	-	288
Occupancy costs	3,342	-	-	3,342	3,159	-	-	3,159
Supplies	6,220	2,166	890	9,276	6,604	2,466	994	10,064
Marketing and public awareness	17,692	2,528	5,055	25,275	12,150	1,736	3,472	17,358
Postage and delivery	1,441	554	222	2,217	1,622	624	250	2,496
Association fees and subscriptions	29,516	1,021	-	30,537	29,813	861	-	30,674
Conference fees	37,249	-	-	37,249	21,044	-	-	21,044
Special events and telemarketing expense	19,450	4,863	177,907	202,220	14,678	3,669	182,246	200,593
Travel	39,008	4,876	4,876	48,760	33,123	4,141	4,141	41,405
Telephone	6,086	1,739	870	8,695	5,120	1,463	732	7,315
Technology	22,954	9,837	-	32,791	17,535	7,515	-	25,050
TOTAL EXPENSES	\$ 1,337,258	\$ 174,030	\$ 340,440	\$ 1,851,728	\$ 1,293,497	\$ 107,694	\$ 282,228	\$ 1,683,419

See accompanying notes to financial statements.

Special Olympics Arkansas

STATEMENTS OF CASH FLOWS Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in Total Net Assets	\$ (229,337)	\$ 257,466
Adjustments to Reconcile Changes in Net Assets to		
Net Cash (Used) Provided by Operating Activities		
Depreciation expense	9,878	6,756
Loss on disposal of furniture and equipment	174	441
Net depreciation (appreciation) in fair value of investments	82,016	(128,529)
Net depreciation (appreciation) in fair value of beneficial interest in assets held at the Arkansas Community Foundation	65,978	(65,535)
Changes in operating assets and liabilities:		
Contributions receivable	15,824	230
Grants receivable	14,898	(49,898)
Accounts payable and other accrued expenses	(27,863)	13,820
Net Cash (Used) Provided by Operating Activities	(68,432)	34,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(25,864)	(3,325)
Purchases of investments	(124,967)	(551,123)
Proceeds from sales of investments	429,054	138,900
Net Cash Provided (Used) by Investing Activities	278,223	(415,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,791	(380,797)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	523,518	904,315
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 733,309	\$ 523,518

See accompanying notes to financial statements.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1: NATURE OF ACTIVITIES

Special Olympics Arkansas (Special Olympics) is a nonprofit organization that provides year-round 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. Special Olympics Arkansas is a sanctioned representative of Special Olympics International.

These financial statements include the operations of 17 geographic areas throughout the state of Arkansas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of Special Olympics have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

Special Olympics reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

(c) Cash and Cash Equivalents

Money market funds, demand deposit accounts held at financial institutions, money market mutual funds maintained in accounts held with an investment banking firm and other highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.

(d) Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. See Note 4 for further discussion of fair value measurements.

Realized and unrealized gains and losses on investments, as well as interest and dividends, are included in net investment income (loss) on the statements of activities. Purchases and sales are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Allowance for Uncollectible Receivables

Special Olympics considers all receivables to be fully collectible within one year of the financial reporting date; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

(f) Beneficial Interest in Endowment Trusts

Special Olympics entered into an agreement with the Arkansas Community Foundation (ACF) to create several beneficial interest in assets held at ACF (beneficial interest) to aid and assist Special Olympics in carrying out its charitable purposes. Pursuant to the terms of the agreements, ACF is granted all rights, title and interest to assets accumulated in the beneficial interest, which are held in ACF's pooled investment portfolio. Contributions to the beneficial interest and net appreciation or depreciation in the fair value of the beneficial interest are reported as changes in net assets with donor restrictions. Generally 5% of the average balance of the beneficial interest is available for distribution on an annual basis in accordance with the current ACF spending policy.

(g) Property and Equipment, Net

Property and equipment are recorded at historical cost, or if donated, at the approximate fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions, unless the donor has restricted the donated asset to a specified purpose.

Generally, major renewals and improvements are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

(h) Contributions

Contributions, including unconditional promises to give, are recognized as support in the period received or when Special Olympics becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(i) Revenue Recognition

Grant awards are recognized as revenue when related expenses have been incurred or services have been provided, depending on the nature and terms of the award. Payments received in advance for grant awards, if any, are classified as refundable advances until they are used as specified in the grant agreement.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Donated Services

Donated services are recognized as contributions only 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 Special Olympics. Although a substantial number of volunteers donate significant amounts of their time to Special Olympics' program services and fundraising activities, the value of such donated services is not recognized in the financial statements as these services do not meet the recognition criteria.

(k) Functional Expenses

Expenses associated with certain activities and functions necessary for the support of programs provided by Special Olympics are considered supporting services expenses. Supporting services include various costs associated with administration, fundraising, maintenance and other general functions of Special Olympics.

Special Olympics allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services. Those expenses include certain salary and benefits, depreciation, occupancy and various office equipment and supplies. Salary and benefits are allocated based on estimates of time worked while all other amounts are allocated based on estimated use.

(l) Income Tax

Special Olympics is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of the Section 509(a) of the Code.

Accounting standards require Special Olympics to evaluate tax positions and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Special Olympics has analyzed the tax positions taken and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. Special Olympics may be subject to audit by the IRS; however, there are currently no audits for any tax periods in progress.

(m) 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 reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Reclassifications

Certain amounts presented in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

(o) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenues from Contracts with Customers*, which requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This revenue recognition standard, which became effective for Special Olympics on January 1, 2019, generally affects all entities that either enter into contracts with customers to transfer goods, services or nonfinancial assets. Implementation of the requirements of this standard will require that Special Olympics 1) identify all contracts with customers, 2) identify performance obligations in the contracts, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue when or as performance obligations are satisfied. Management of Special Olympics has not yet determined the significance of the impact that implementation of this standard or any related amendments will have on Special Olympics' financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments for all leases with a term greater than one year. This new standard is effective for Special Olympics on January 1, 2020. Management of Special Olympics has not yet determined the significance of the impact that implementation of this standard or any related amendments will have on Special Olympics' financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this update primarily affect not-for-profit entities but apply to all entities, including business entities that receive or make contributions of cash and other assets. Transfers of assets from government entities to business entities are expressly excluded from the scope of this update. The amendments in this update became effective January 1, 2019. Management has not yet determined the significance of the impact that implementation of the amendments in this update will have on the Special Olympics' financial statements.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Recently Adopted Accounting Standards

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 was to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto.

Management adopted ASU No. 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, a new disclosure was added regarding liquidity and availability of resources.

The accompanying information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

NOTE 3: INVESTMENTS

Investments consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Negotiable certificates of deposit	\$ 70,108	\$ 62,484
Mutual funds	913,034	967,349
Corporate debt obligations	355,937	371,113
Exchange traded funds	5,597	-
Unit investment trusts	5	329,838
Total investments	<u>\$ 1,344,681</u>	<u>\$ 1,730,784</u>

Investment income (loss) as presented on the statements of activities consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 67,160	\$ 53,225
Net (depreciation) appreciation in fair value of investments	<u>(149,176)</u>	<u>75,304</u>
Investment (loss) income, net	<u>\$ (82,016)</u>	<u>\$ 128,529</u>

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4: FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Special Olympics has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

The fair values of the negotiable certificates of deposit are determined by discounting expected cash flows based on current yields of similar instruments with comparable durations, considering the credit-worthiness of the issuer.

The fair values of mutual funds and unit investment trusts are determined based on the quoted net asset value per share. Mutual funds held by Special Olympics are open ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Special Olympics are deemed to be actively traded.

The fair values of corporate debt obligations are determined based on yields currently available on comparable securities of issuers with similar credit ratings.

The fair values of exchange traded funds are determined based on closing prices reported on the active market in which the individual securities are traded.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The fair values of Special Olympics' assets measured on a recurring basis at December 31 are as follows:

	2018			Fair Value
	Level 1	Level 2	Level 3	
Negotiable certificates of deposit	\$ -	\$ 70,108	\$ -	\$ 70,108
Mutual funds				
Large-cap value	75,156	-	-	75,156
Large-cap growth	77,716	-	-	77,716
Mid-cap value	27,144	-	-	27,144
Mid-cap blend	14,553	-	-	14,553
Small growth	26,973	-	-	26,973
Foreign small-cap value	5,710	-	-	5,710
Foreign large blend	68,415	-	-	68,415
Foreign large value	9,373	-	-	9,373
Foreign large growth	5,728	-	-	5,728
Foreign small/mid blend	3,643	-	-	3,643
World bond	4,068	-	-	4,068
Diversified emerging markets	22,119	-	-	22,119
Intermediate-term bond	524,129	-	-	524,129
High yield bond	3,912	-	-	3,912
Nontraditional bond	22,563	-	-	22,563
Bank loans	21,832	-	-	21,832
Total mutual funds	913,034	-	-	913,034
Corporate debt obligations				
A-	-	41,660	-	41,660
BBB+	-	155,097	-	155,097
BBB	-	159,180	-	159,180
Total corporate debt obligations	-	355,937	-	355,937
Exchange traded fund	5,597	-	-	5,597
Unit investment trusts	5	-	-	5
Total investments	\$ 918,636	\$ 426,045	-	\$ 1,344,681

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	2017			Fair Value
	Level 1	Level 2	Level 3	
Negotiable certificates of deposit	\$ -	\$ 62,484	\$ -	\$ 62,484
Mutual funds				
Large-cap value	97,104	-	-	97,104
Large-cap growth	82,571	-	-	82,571
Long-short equity	23,564	-	-	23,564
Mid-cap value	36,961	-	-	36,961
Mid-cap growth	4,407	-	-	4,407
Small growth	28,451	-	-	28,451
Foreign small-cap value	4,364	-	-	4,364
Foreign large blend	55,117	-	-	55,117
Foreign large growth	30,236	-	-	30,236
Diversified emerging markets	23,667	-	-	23,667
International bond	4,016	-	-	4,016
Intermediate-term bond	526,711	-	-	526,711
High yield bond	4,021	-	-	4,021
Nontraditional bond	23,144	-	-	23,144
Bank loans	23,015	-	-	23,015
Total mutual funds	<u>967,349</u>	<u>-</u>	<u>-</u>	<u>967,349</u>
Corporate debt obligations				
A-	-	40,247	-	40,247
BBB+	-	252,775	-	252,775
BBB	-	78,091	-	78,091
Total corporate debt obligations	<u>-</u>	<u>371,113</u>	<u>-</u>	<u>371,113</u>
Unit investment trusts	<u>329,838</u>	<u>-</u>	<u>-</u>	<u>329,838</u>
Total investments	<u>\$ 1,297,187</u>	<u>\$ 433,597</u>	<u>\$ -</u>	<u>\$ 1,730,784</u>

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation at December 31 consists of the following:

	2018	2017
Buildings and improvements	\$ 131,852	\$ 131,852
Furniture and fixtures	15,372	15,372
Computer equipment	35,684	34,475
Program and other equipment	25,487	54,873
Accumulated depreciation	(99,577)	(145,184)
	108,818	91,388
Land	20,000	20,000
Total property and equipment, net	\$ 128,818	\$ 111,388

NOTE 6: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Special Olympics monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Special Olympics has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses without limitations:

	2018	2017
Financial assets available within one year and free of donor restrictions:		
Cash and cash equivalents	\$ 733,309	\$ 523,518
Investments	171,532	524,081
Contributions receivable	1,909	17,733
Grants receivable	89,897	104,795
Available without restriction within one year	\$ 996,647	\$ 1,170,127

Special Olympics has the following financial assets that are not readily available within one year of the statement of financial position date to fund expenses without limitations:

	2018	2017
Financial assets with liquidity restrictions greater than one year:		
Beneficial interest in assets held at the Arkansas Community Foundation	\$ 415,555	\$ 481,533
Financial assets held as board-designated	1,173,149	1,206,703
Total financial assets unavailable within one year	\$ 1,588,704	\$ 1,688,236

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7: NET ASSETS

Board designated net assets and net assets with donor restrictions are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Board designated net assets		
Area investment accounts	\$ 312,718	\$ 319,802
New building	400,000	400,000
Special Olympics Arkansas Endowment Fund	<u>460,431</u>	<u>486,901</u>
	<u>\$ 1,173,149</u>	<u>\$ 1,206,703</u>
Net assets with donor restrictions		
Beneficial interest in assets held at the Arkansas Community Foundation	<u>\$ 415,555</u>	<u>\$ 481,533</u>

Board designated net assets for area investment accounts include investment accounts maintained for six of the individual geographic areas. These accounts consists of transfers of excess funds raised by the areas and are designated for use in those same areas.

During the year ended December 31, 2017, the Board of Directors designated \$400,000 for the future purchase of a new office building.

NOTE 8: ENDOWMENTS

Special Olympics maintains endowment funds for a variety of purposes. At December 31, 2018 and 2017, the endowment funds include an investment account held with a financial institution designated by the Board of Directors, as well as a beneficial interest in assets held at the ACF.

Beneficial interest in assets held in a community foundation are invested in a pooled fund managed by ACF. Special Olympics' interest in the pooled fund is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets.

Special Olympics has adopted investment and spending policies for endowment assets that include appropriating earned income and gains (losses) for distribution. Endowment assets are invested in a diversified portfolio, which consists of mutual funds and units of participation in pooled investments managed by the ACF. The Special Olympics' investment strategy is to earn a consistent rate of return and maintain acceptable levels of risk, while providing sufficient liquidity to fund necessary expenditures. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to avoid exposing the funds to unacceptable levels of risk.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8: ENDOWMENTS (Continued)

Changes in net assets attributable to the endowment funds during the years ended December 31 are as follows:

	Board Designated	
	2018	2017
Endowment net assets, beginning of year	\$ 486,901	\$ 346,317
Designated for endowment	-	109,933
Net (depreciation) appreciation in fair value of investments	(26,470)	30,651
Endowment net asset, end of year	<u>\$ 460,431</u>	<u>\$ 486,901</u>

Changes in net assets attributable to the beneficial interest in assets held at the Arkansas Community Foundation during the years ended December 31 are as follows:

	Net Assets with Donor Restrictions	
	2018	2017
Beneficial interest in assets held at the Arkansas Community Foundation, beginning of year	\$ 481,533	\$ 415,998
Net (depreciation) appreciation in fair value of investments	(65,978)	65,535
Beneficial interest in assets held at the Arkansas Community Foundation, end of year	<u>\$ 415,555</u>	<u>\$ 481,533</u>

NOTE 9: RETIREMENT PLAN

Effective June 30, 1989, and restated effective January 1, 2013, Special Olympics adopted a 401(k) defined contribution plan (401(k) Plan), which allows eligible employees to defer a portion of their compensation on a pre-tax basis up to the maximum allowed by the Internal Revenue Code. Special Olympics, at the Board of Director's discretion, may make contributions to the 401(k) Plan for employees who have worked a minimum of 1,000 hours and are employed at the end of the year. Total contributions by Special Olympics to the 401(k) Plan for the years ended December 31, 2018 and 2017 were approximately \$39,000 and \$35,000, respectively.

Special Olympics Arkansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10: DIRECT MARKETING CAMPAIGN

Special Olympics conducts direct marketing campaigns through telemarketing to raise funds and to increase public relations and awareness of Special Olympics' mission and activities. Such costs are expensed as incurred.

Direct telemarketing services for the years ended December 31, 2018 and 2017 resulted in gross contributions of approximately \$104,000 and \$129,000, respectively. The campaigns incurred total costs in 2018 and 2017 of approximately \$68,000 and \$84,000, respectively, for fees paid to telemarketing agents.

NOTE 11: COLLABORATIVE ARRANGEMENT

Effective January 1, 2017, Special Olympics entered into an agreement with Special Olympics, Inc. (SOI) to establish an integrated direct marketing program (IDMP) to integrate telephone and online efforts with the existing direct mail program. Through the IDMP, Special Olympics authorizes SOI to include Special Olympics donors in marketing campaigns conducted by SOI within Special Olympics jurisdiction in order to eliminate potentially duplicative, conflicting and confusing appeals for funds by both SOI and Special Olympics.

SOI is responsible for and will be the exclusive source of all direct mail, residential telemarketing and online fundraising and is responsible for all related costs for these activities. Special Olympics is responsible for approving the copy and design of online solicitations, control letters, email communications, and telemarketing scripts, as well as conducting communications via email, web site and other electronic channels for the purpose of cultivation of donors. During the year ended December 31, 2018 and 2017, Special Olympics received a percentage of net revenue, pursuant to the terms of the agreement, totaling approximately \$144,000 and \$134,000, respectively. The agreement will expire December 31, 2021, unless terminated earlier.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2019, the date that the financial statements were available to be issued.

**Other Reports
and
Supplementary Information**



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Special Olympics Arkansas
North Little Rock, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Special Olympics Arkansas** (Special Olympics), which comprise 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, and have issued our report thereon dated April 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Special Olympics’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Special Olympics’ internal control. Accordingly, we do not express an opinion on the effectiveness of Special Olympics’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Special Olympics' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Special Olympics' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Special Olympics' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Landmark PLC
Certified Public Accountants

April 26, 2019
Little Rock, Arkansas

Special Olympics Arkansas

SCHEDULE OF GOVERNMENTAL ASSISTANCE

Year Ended December 31, 2018

<u>Federal Assistance</u>	<u>CFDA Number/ Contract Number</u>	<u>Award Amount</u>	<u>Federal/ State Revenues</u>	<u>Federal/ State Expenditures</u>
U.S. Department of Education				
Office of Special Education and Rehabilitative Services				
Passed through Special Olympics, Inc.				
Special Education - Olympic Education Programs				
	84.380W	\$ 150,000	\$ 150,000	\$ 150,000
State Assistance				
Arkansas Department of Human Services				
Division of Developmental Disabilities Services				
Special Olympics				
	4600033946	178,767	<u>178,767</u>	<u>178,767</u>
Total Governmental Assistance			<u><u>\$ 328,767</u></u>	<u><u>\$ 328,767</u></u>

This schedule includes the activity related to the governmental assistance received by Special Olympics Arkansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Arkansas Department of Human Services. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.