

**SPECIAL OLYMPICS
MONTANA, INC.**

AUDITED FINANCIAL STATEMENTS

December 31, 2017



**SPECIAL OLYMPICS MONTANA, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
Special Olympics Montana, Inc.
Great Falls, Montana

We have audited the accompanying financial statements of Special Olympics Montana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 of 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 Montana, Inc. as of December 31, 2017, 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.

Prior Period Adjustment for Correction of Error

As discussed in Note 13 to the financial statements, errors resulting in understatement of previously reported accounts receivable and net assets as of December 31, 2016 were discovered by the Organization during the current year. Accordingly, amounts reported for accounts receivable and net assets have been restated, and an adjustment has been made as of January 1, 2017 to correct these errors. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The non-accounting information on pages 18 and 19, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
April 13, 2018

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,800,365
Inventory of education and promotion materials held for use	17,366
Support receivable, current	971,156
Prepaid expenses	9,365
	<u>2,798,252</u>

FIXED ASSETS

Land	33,278
Building	238,722
Furniture and equipment	64,295
Vehicles	62,817
	<u>399,112</u>
Less accumulated depreciation	156,317
	<u>242,795</u>

OTHER ASSETS

Investments, at fair market value	2,678,123
Support receivable, long-term, net	1,659,469
Cash surrender value of life insurance	35,303
	<u>4,372,895</u>

Total assets	<u>\$ 7,413,942</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 30,962
Accrued vacation	74,148
Accrued liabilities	38,559
Current portion of long-term debt	6,479
	<u>150,148</u>

LONG-TERM LIABILITIES

Long-term debt, net of current portion	103,061
Annuities payable	59,992
	<u>163,053</u>

Total liabilities	<u>313,201</u>
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NET ASSETS

Unrestricted	2,182,459
Temporarily restricted	1,379,586
Permanently restricted	3,538,696
Total net assets	<u>7,100,741</u>

Total liabilities and net assets	<u>\$ 7,413,942</u>
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See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
PUBLIC SUPPORT				
Foundation and corporate contributions	\$ 1,308,123	\$ 1,016,837	\$ 120,000	\$ 2,444,960
Individual contributions	11,273	-	2,203,815	2,215,088
Service club contributions	45,346	-	-	45,346
Fundraising income	1,208,606	-	-	1,208,606
Telemarketing	132,030	-	-	132,030
In-kind contributions	395,008	-	-	395,008
Games revenue	23,146	-	-	23,146
Change in value of split-interest agreements	961	(961)	-	-
Net assets released from restrictions	201,021	(201,021)	-	-
	<u>3,325,514</u>	<u>814,855</u>	<u>2,323,815</u>	<u>6,464,184</u>
REVENUE				
Investment income	23,435	67,386	-	90,821
Loss on sale of assets	1,200	-	-	1,200
Other revenue	16,406	-	-	16,406
Net gain on investments	42,825	81,345	-	124,170
	<u>83,866</u>	<u>148,731</u>	<u>-</u>	<u>232,597</u>
Total public support and revenue	<u>3,409,380</u>	<u>963,586</u>	<u>2,323,815</u>	<u>6,696,781</u>
EXPENSES				
Program services	2,462,243	-	-	2,462,243
Supporting services	267,183	-	-	267,183
Fundraising	317,904	-	-	317,904
Total expenses	<u>3,047,330</u>	<u>-</u>	<u>-</u>	<u>3,047,330</u>
CHANGE IN NET ASSETS	362,050	963,586	2,323,815	3,649,451
Net assets, beginning of year -				
As previously stated	1,820,409	203,502	1,139,937	3,163,848
Prior period adjustment (Note 13)	-	212,498	74,944	287,442
As restated	<u>1,820,409</u>	<u>416,000</u>	<u>1,214,881</u>	<u>3,451,290</u>
NET ASSETS, END OF YEAR	<u>\$ 2,182,459</u>	<u>\$ 1,379,586</u>	<u>\$ 3,538,696</u>	<u>\$ 7,100,741</u>

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
Wages	\$ 898,217	\$ 127,460	\$ 36,455	\$ 1,062,132
Payroll expenses	82,175	10,276	3,615	96,066
Employee health and retirement	<u>111,134</u>	<u>21,481</u>	<u>3,011</u>	<u>135,626</u>
Total personnel expenses	1,091,526	159,217	43,081	1,293,824
Advertising	203,479	3,744	60,900	268,123
Conferences and meetings	25,218	600	7,200	33,018
Contract services	10,559	-	-	10,559
Depreciation	9,677	3,247	-	12,924
Dues and subscriptions	4,679	2,393	829	7,901
Games	20,457	-	17,895	38,352
Insurance	15,908	5,971	7,526	29,405
Medals and awards	49,511	5,381	41,967	96,859
Miscellaneous	34,110	17,358	3,519	54,987
Occupancy	9,594	3,146	3,358	16,098
Office supplies	16,814	9,060	5,739	31,613
Postage and freight	5,514	670	4,942	11,126
Printing and pictures	7,232	-	5,908	13,140
Rent	123,036	-	3,950	126,986
Service fees	176,833	30,607	28,019	235,459
Supplies	167,558	9,315	39,732	216,605
Telephone	18,477	5,866	9,413	33,756
Travel and meals	<u>472,061</u>	<u>10,608</u>	<u>33,926</u>	<u>516,595</u>
Total expenses	<u>\$ 2,462,243</u>	<u>\$ 267,183</u>	<u>\$ 317,904</u>	<u>\$ 3,047,330</u>

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 3,649,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,924
Loss on sale of assets	(1,200)
(Gain) loss on on investments, net	(124,170)
Increase in cash surrender value of life insurance	(3,041)
Permanently restricted contributions	(2,323,815)
Change in:	
Inventory - educational and promotional items	5,842
Support receivable	(2,182,093)
Prepaid expenses	159
Accounts payable	11,928
Accrued vacation	1,216
Accrued liabilities	16,227
Deferred revenue	(2,139)
Annuity payable	<u>17,783</u>
Net cash provided by operating activities	<u>(920,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	82,006
Purchase of investments and reinvestments	(951,728)
Purchase of fixed assets	<u>(30,119)</u>
Net cash provided (used) by investing activities	<u>(899,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Permanently restricted contributions	2,323,815
Payments on annuities	(2,085)
Repayment of debt and capital lease	<u>(6,142)</u>
Net cash provided by financing activities	<u>2,315,588</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	494,819
Cash and cash equivalents, beginning of year	<u>1,305,546</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,800,365</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for interest included in operating activities	\$ 5,589
NON-CASH INVESTING AND FINANCING ACTIVITIES	
Trade-in value of old vehicle for the purchase of a new vehicle	\$ 1,200

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Special Olympics Montana, Inc. provides sports training and athletic competition as well as year-round programs for children and adults with intellectual disabilities throughout the State of Montana. Special Olympics Montana, Inc., as defined by this report, consists of the State Administrative Account and the following local programs:

Billings	Glasgow (3)	Lewistown
Bozeman	Glendive	Miles City
Butte	Great Falls	Missoula
Cut Bank	Havre	Stevensville
Eureka	Helena	White Sulphur Springs
Forsyth	Kalispell	

Special Olympics Montana, Inc., as defined by this report, does not include any local programs not mentioned above. The primary funding source for Special Olympics Montana, Inc., is contributions from donors who live in the region.

Basis of Presentation:

The financial statements of the Organization are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in Accounting Standards Codification (FASB ASC) 958, *Not-For-Profit Entities*. Therefore, the Organization reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that 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 stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand, cash in banks, cash in transit, and checking and savings accounts. Accounts are held at the state and local program levels. Some cash and short-term investments held in a money market or other similar deposit fund are reported as investments instead of cash because the Organization held those funds for investment or as an endowment.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory:

Inventory is stated at cost and the cost of sales is determined on the first-in, first-out method.

Support Receivable:

Support receivable consists primarily of unconditional promises to give pledged to the Organization. Management has determined that these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Fixed Assets:

The Organization records fixed assets at cost for purchased assets and fair market value for donated assets. Depreciation is computed using the straight-line method based on estimated useful lives ranging from three to seven years. The Organization has a \$1,000 capitalization policy.

Donated Goods:

Donated materials and equipment are recorded as contribution revenue at their estimated fair value at date of receipt.

Donated Services:

No amounts have been reflected for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a large number of volunteers have given significant amounts of their time to Special Olympics Montana, Inc. programs, fundraising campaigns, and management.

Advertising:

Advertising costs are expensed as incurred and included in advertising expense. Advertising expense amounted to \$268,123 for the year ended December 31, 2017.

Functional Allocation of Expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Available Funds:

The expenditures for each year are financed principally by funds received from commercial sponsors and private donations. Special Olympics Montana, Inc. also receives revenue from special fundraising events not actively controlled by management personnel.

Tax Status:

Special Olympics Montana, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the year ended December 31, 2017. As a result, the accompanying financial statements do not reflect any provision for income taxes. In addition, the Organization has been classified as an organization that is not a private foundation.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

2. SUPPORT RECEIVABLE

Support receivable consisted of the following at December 31, 2017:

Receivable in less than one year	\$ 971,156
Receivable in one to five years	1,772,169
Receivable in more than years	<u>7,500</u>
Total pledges receivable	2,750,825
Less discount on long-term pledges	<u>(120,200)</u>
Net pledges receivable	<u><u>\$ 2,630,625</u></u>

The discount on pledges receivable was \$120,200 at December 31, 2017. Pledges were discounted to their present value based on the term of the underlying pledge. The discount rate was 2.6% for the year ended December 31, 2017.

3. INVESTMENTS

Investments are carried on the statements of financial position at fair value, as determined by the broker from quoted prices in active markets for identical assets (Level 1 measurements). There are no assets reported at values determined by significant other observable inputs (Level 2), or significant unobservable inputs (Level 3). Gains and losses from the change in market value of investments and income from these investments are credited directly to the change in unrestricted net assets.

Investments consist primarily of brokered certificates of deposit, bonds, mutual funds, and corporate stocks. Investments are carried on the statement of financial position at fair market value based on quoted prices in active markets (all Level 1 measurements). The cost and market value of the investments at December 31, 2017 are as follows:

	<u>Cost</u>	<u>Market Value</u>
Cash and equivalents	\$ 859,497	\$ 859,497
Fixed income	536,694	531,150
Equity investments	863,436	1,098,478
Alternative investments	<u>208,341</u>	<u>188,998</u>
Total investments	<u><u>\$ 2,467,968</u></u>	<u><u>\$ 2,678,123</u></u>

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

4. ENDOWMENT NET ASSETS

Special Olympics Montana, Inc.'s endowment consists of funds received from many donors and established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA.

In accordance with UPMIFA, 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 various funds.
- (2) The purposes of the donor-restricted endowment funds.
- (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 Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies:

The Organization has adopted investment policies for endowment assets with an objective of maintaining the purchasing power of the assets and all future contributions consistent with the level of programs and services currently provided. The investment process seeks to maximize a rate of return within reasonable and prudent levels of risk by diversifying the portfolio, which is based on a long-term perspective. In general, the Organization has targeted a return on the portfolio of approximately 8% annually.

Spending Policy:

The Organization's policy states the spending and distribution rate will be reviewed and approved annually by the December Board of Directors. For the year ending December 31, 2017, the spending rate was 3.325%, with a distribution rate of 1.5%. The policy adopted by the Board of Directors states that ten percent of the excess support and revenues over expenses be transferred to the endowment fund each year.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

4. ENDOWMENT NET ASSETS (Continued)

The composition of endowment net asset is as follows at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 3,538,696	\$ 3,538,696
Earnings in excess of corpus	-	156,971	-	156,971
Total	<u>\$ -</u>	<u>\$ 156,971</u>	<u>\$ 3,538,696</u>	<u>\$ 3,695,667</u>

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning endowment net assets -				
As previously stated	\$ 68,178	\$ 13,081	\$ 1,139,937	\$ 1,221,196
Prior period adjustment (Note 13)	-	-	74,944	74,944
As restated	68,178	13,081	1,214,881	1,296,140
Contributions	-	-	2,323,815	2,323,815
Investment income	4,507	67,386	-	71,893
Net appreciation	5,441	81,345	-	86,786
Amounts appropriated for expenditure	(82,006)	-	-	(82,006)
Change in value of split-interest agreements	-	(961)	-	(961)
Reclassification adjustment	3,880	(3,880)	-	-
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 156,971</u>	<u>\$ 3,538,696</u>	<u>\$ 3,695,667</u>

5. DEFERRED CHARITABLE GIFT ANNUITIES

The Organization has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Organization is obligated to provide an annuity to the donor, commencing on an agreed-upon date, for the remainder of the donor's life. Upon termination, some of these agreements are unrestricted and available for use by the Organization at their discretion while other agreements are restricted to the Organization's endowment. Under the agreements restricted to the endowment, the Organization has deposited the gifts into separate accounts as required.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments. At December 31, 2017, the present value was calculated using a 5% interest rate. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. The liability at December 31, 2017, was \$59,992.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

6. LONG-TERM DEBT

Special Olympics Montana, Inc. entered into a loan agreement with First Interstate Bank for a 20-year amortized mortgage which may be re-written every five years. The terms of this agreement require monthly payments in the amount of \$978, including interest at a rate of 4.95%, and a maturity date of March 2021. The principal balance due as of December 31, 2017, was \$109,540. Upon maturity in March 2021, the terms may be re-written for another five years.

Maturities of this long-term note for the next five years are as follows at December 31:

2018	\$	6,479
2019		6,808
2020		7,152
2021		<u>89,101</u>
Total long-term debt	\$	<u><u>109,540</u></u>

7. RETIREMENT PLAN

Special Olympics Montana, Inc. has elected to contribute, for qualifying employees having more than six months of continuous employment, a matching amount up to 4% of their salary into a retirement fund through American Funds. The Board of Directors of Special Olympics Montana, Inc. has retained the authority to review and/or change this percentage at its discretion. The contribution was \$33,153 for the year ended December 31, 2017.

8. ALLOCATIONS OF JOINT COSTS

The Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included donated television time and advertisements featuring local Special Olympics athletes with local politicians in an effort to notify the public about upcoming games and other program events, as well as volunteer opportunities and how to acquire additional information about programs and solicitation of contributions. The donated advertising was the Organization's only fundraising activity that involved joint cost allocations. Joint costs for this activity were \$93,600 for each of the years ended December 31, 2017 and , with management allocating 60% as program expenses and 40% as support expenses, with 30% of support expenses allocated to fundraising and 10% of support expenses allocated to supporting services. The allocation of joint costs were as follows during the year ended December 31, 2017:

Program expenses	\$	56,160
Support expenses:		
Fundraising		33,696
Supporting services		<u>3,744</u>
Total	\$	<u><u>93,600</u></u>

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

9. DONATED MATERIALS AND SERVICES

The value of donated materials and services included in the financial statements and the corresponding expenses are as follows for the years ended December 31, 2017:

Unrestricted revenues (contributions)		
Donated supplies	\$	25,720
Donated advertising		259,760
Donated travel and meals		20,260
Donated service fees		88,606
Donated rent		<u>662</u>
	<u>\$</u>	<u>395,008</u>
Expenses		
Supplies	\$	25,720
Advertising		259,760
Travel and meals		20,260
Service fees		88,606
Rent		<u>662</u>
	<u>\$</u>	<u>395,008</u>

10. DONATED SERVICES

Many volunteers have donated significant amounts of time to the Organization's program and fundraising activities. No amounts have been recognized in the accompanying statement of activities and changes in net assets because the criteria for recognition of such efforts under accounting principles generally accepted in the United States of America have not been satisfied.

11. AREA AND LOCAL PROGRAM EXPENSES

The Organization maintains separate accounting for state versus local programs. For financial purposes, the activity of all such local programs is combined with the state and reported as one entity. Total expenses as reported consist of \$2,521,469 at the state level and \$525,861 at the local level for the year ended December 31, 2017.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2017

12. NET ASSETS

Net assets are comprised of the following at December 31, 2017:

Unrestricted net assets	
Invested in property and equipment, net of depreciation	\$ 242,795
Board designated funds	69,628
Undesignated	<u>1,870,036</u>
Total unrestricted net assets	<u>2,182,459</u>
Temporarily restricted net assets	
Pledges and grants receivable	1,043,236
Project Unified	33,529
Flathead Project	131,258
Gift annuities	13,877
Endowment earnings in excess of corpus	156,971
Healthy Athletes	<u>715</u>
Total temporarily restricted net assets	<u>1,379,586</u>
Permanently restricted net assets	
Endowment	<u>3,538,696</u>
Total net assets	<u><u>\$ 7,100,741</u></u>

13. ADJUSTMENT TO PRIOR PERIOD FINANCIAL STATEMENTS

During the year ended December 31, 2017, the Organization discovered errors made in prior periods. As a result of the error, accounts receivable and net assets were understated by \$287,442 as of January 1, 2017. Accounts receivable and net assets have been adjusted as of January 1, 2017, to correct these errors.

The errors are a result of the Organization's accounting for pledges and multi-year grants. Prior to 2017, unconditional pledges and multi-year grants were recorded upon the receipt of cash rather than upon notification as required by FASB ASC 958. The Organization has made changes to its internal control procedures to ensure such gifts are recorded in accordance with FASB ASC 958.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 13, 2018, the date on which the financial statements were available to be issued.

NON-ACCOUNTING INFORMATION



Special Olympics Montana 2017: Volunteer Value Impact (VVI)

Standard accounting procedures do not allow for consideration and documentation of the real value of volunteer time in audited financial statements. In a volunteer-driven movement like Special Olympics Montana, however, this human resource is primary and pivotal to our service delivery and has tremendous real dollar value to the organization.

Quite literally, in the absence of volunteers we would have no program. This said, the professional staff employed works almost exclusively from day to day throughout the year with volunteers across Montana.

While our overhead (typically defined as administrative and fund raising costs) is relatively low to program expenses, when you include the Volunteer Value Impact (VVI) into the equation, our supporters see the real ratio and cost effectiveness associated with our annual operation.

Including this metric, based on a minimum wage of \$8.15/hour and the roles and responsibilities of nearly 5,500 volunteers who donated approximately 549,000 hours of their time and talent in 2017, we estimate that VVI was \$4,474,350. Based on the value of a volunteer hour determined by the Chronicle of Philanthropy and Nonprofit Times, using minimum wage is about half the value these industry tabloids would place on a volunteers time.

When VVI is factored in, results are stunning and demonstrate the cost effectiveness of Special Olympics Montana.

Special Olympics Montana

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Created by the Joseph P. Kennedy Jr. Foundation for the benefit of persons with intellectual disabilities



Special Olympics Montana Charts A and B: Volunteer Value Impact (VVI)

Chart A - Allocation of 2017 Functional Expenses

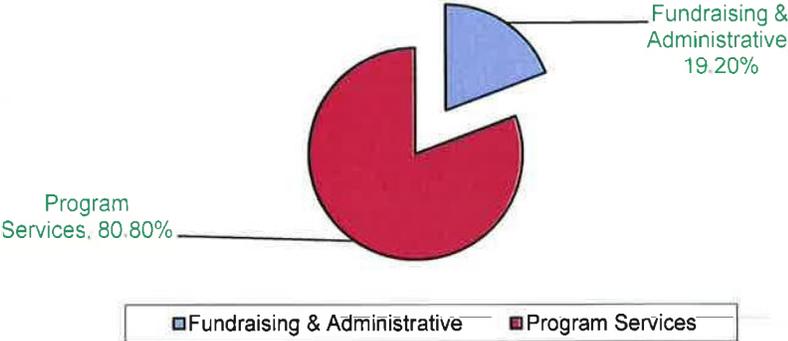


Chart B - Allocation of 2017 Functional Expenses adjusted to Include 549,000 Annual Volunteer Hours at \$8.15/hour

