

**SPECIAL OLYMPICS  
MONTANA, INC.**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2016 and 2015**





**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 statements of financial position as of December 31, 2016 and 2015, 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.

### **Auditors' 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. 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, 2016 and 2015, 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.

Board of Directors and Management  
Special Olympics Montana, Inc.  
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**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 20 and 21, 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 12, 2017

**SPECIAL OLYMPICS MONTANA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,359,625	\$ 1,261,085
Inventory of education and promotion materials held for use	23,208	24,838
Support receivable	161,088	65,731
Prepaid expenses	9,524	9,256
	1,553,445	1,360,910
<b>FIXED ASSETS</b>		
Land	33,278	33,278
Building	238,722	206,722
Furniture and equipment	64,295	64,295
Vehicles	46,181	46,181
	382,476	350,476
Less accumulated depreciation	158,074	141,291
	224,402	209,185
<b>INVESTMENTS</b> , at fair market value	1,684,231	939,303
<b>OTHER ASSETS</b> , cash surrender value of life insurance	32,262	29,296
Total assets	\$ 3,494,340	\$ 2,538,694
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 73,113	\$ 64,747
Accrued vacation	72,932	75,126
Accrued liabilities	22,332	42,984
Current portion of long-term debt	6,642	6,372
Deferred revenue	2,139	80,500
	177,158	269,729
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current portion	109,040	115,140
Annuities payable	44,294	35,665
	153,334	150,805
<b>NET ASSETS</b>		
Unrestricted	1,820,409	1,251,903
Temporarily restricted	203,502	439,839
Permanently restricted	1,139,937	426,418
	3,163,848	2,118,160
Total liabilities and net assets	\$ 3,494,340	\$ 2,538,694

See notes to financial statements.

**SPECIAL OLYMPICS MONTANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>PUBLIC SUPPORT</b>				
Foundation and corporate contributions	\$ 1,294,685	\$ 128,409	\$ -	\$ 1,423,094
Individual contributions	225,659	-	712,983	938,642
Service club contributions	72,210	-	-	72,210
Fundraising income	1,118,174	-	-	1,118,174
Telemarketing	158,138	-	-	158,138
In-kind contributions	335,611	-	-	335,611
Games revenue	24,913	-	-	24,913
Change in value of split-interest agreements	-	(573)	536	(37)
Net assets released from restrictions	364,173	(364,173)	-	-
	<u>3,593,563</u>	<u>(236,337)</u>	<u>713,519</u>	<u>4,070,745</u>
<b>REVENUE</b>				
Interest income	20,361	-	-	20,361
Capital gains	7,487	-	-	7,487
Other revenue	8,055	-	-	8,055
Net gain on investments	49,445	-	-	49,445
	<u>85,348</u>	<u>-</u>	<u>-</u>	<u>85,348</u>
Total public support and revenue	<u>3,678,911</u>	<u>(236,337)</u>	<u>713,519</u>	<u>4,156,093</u>
<b>EXPENSES</b>				
Program services	2,530,024	-	-	2,530,024
Supporting services	276,522	-	-	276,522
Fundraising	303,859	-	-	303,859
Total expenses	<u>3,110,405</u>	<u>-</u>	<u>-</u>	<u>3,110,405</u>
<b>CHANGE IN NET ASSETS</b>	568,506	(236,337)	713,519	1,045,688
Net assets, beginning of year	<u>1,251,903</u>	<u>439,839</u>	<u>426,418</u>	<u>2,118,160</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,820,409</u></u>	<u><u>\$ 203,502</u></u>	<u><u>\$ 1,139,937</u></u>	<u><u>\$ 3,163,848</u></u>

See notes to financial statements.



**SPECIAL OLYMPICS MONTANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>PUBLIC SUPPORT</b>				
Foundation and corporate contributions	\$ 745,116	\$ 280,216	\$ -	\$ 1,025,332
Individual contributions	200,461	116,707	20,189	337,357
Service club contributions	29,865	-	-	29,865
Fundraising income	1,126,035	-	-	1,126,035
Telemarketing	205,758	-	-	205,758
In-kind contributions	459,375	-	-	459,375
Games revenue	28,872	-	-	28,872
Change in value of split-interest agreements	-	21	(2,425)	(2,404)
Net assets released from restrictions	499,431	(499,431)	-	-
	<u>3,294,913</u>	<u>(102,487)</u>	<u>17,764</u>	<u>3,210,190</u>
<b>REVENUE</b>				
Interest income	16,484	-	-	16,484
Capital gains	22,665	-	-	22,665
Other revenue	8,603	218	-	8,821
Net loss on investments	(41,294)	-	-	(41,294)
	<u>6,458</u>	<u>218</u>	<u>-</u>	<u>6,676</u>
 Total public support and revenue	 <u>3,301,371</u>	 <u>(102,269)</u>	 <u>17,764</u>	 <u>3,216,866</u>
<b>EXPENSES</b>				
Program services	2,730,006	-	-	2,730,006
Supporting services	281,845	-	-	281,845
Fundraising	336,011	-	-	336,011
	<u>3,347,862</u>	<u>-</u>	<u>-</u>	<u>3,347,862</u>
<b>CHANGE IN NET ASSETS</b>	(46,491)	(102,269)	17,764	(130,996)
Net assets, beginning of year	<u>1,298,394</u>	<u>542,108</u>	<u>408,654</u>	<u>2,249,156</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,251,903</u></u>	<u><u>\$ 439,839</u></u>	<u><u>\$ 426,418</u></u>	<u><u>\$ 2,118,160</u></u>

See notes to financial statements.

**SPECIAL OLYMPICS MONTANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
Wages	\$ 1,017,288	\$ 150,670	\$ 58,310	\$ 1,226,268
Payroll expenses	94,797	13,731	5,244	113,772
Employee health and retirement	<u>136,662</u>	<u>26,823</u>	<u>4,023</u>	<u>167,508</u>
Total personnel expenses	1,248,747	191,224	67,577	1,507,548
Advertising	211,979	4,494	34,041	250,514
Conferences and meetings	15,926	420	3,385	19,731
Contract services	10,000	-	-	10,000
Depreciation	12,587	4,196	-	16,783
Dues and subscriptions	2,635	2,138	1,249	6,022
Games	32,327	-	737	33,064
Insurance	15,606	6,112	5,580	27,298
Medals and awards	29,467	2,166	40,220	71,853
Miscellaneous	30,343	10,016	4,915	45,274
Occupancy	9,924	3,240	3,473	16,637
Office supplies	14,980	6,922	3,846	25,748
Postage and freight	4,554	509	3,647	8,710
Printing and pictures	12,100	136	9,645	21,881
Rent	158,316	-	4,264	162,580
Service fees	123,179	19,516	26,964	169,659
Supplies	154,474	10,439	46,041	210,954
Telephone	16,983	7,017	10,019	34,019
Travel and meals	<u>425,897</u>	<u>7,977</u>	<u>38,256</u>	<u>472,130</u>
Total expenses	<u>\$ 2,530,024</u>	<u>\$ 276,522</u>	<u>\$ 303,859</u>	<u>\$ 3,110,405</u>

See notes to financial statements.

**SPECIAL OLYMPICS MONTANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
Wages	\$ 1,025,308	\$ 160,094	\$ 56,577	\$ 1,241,979
Payroll expenses	95,907	13,369	5,312	114,588
Employee health and retirement	<u>115,004</u>	<u>20,268</u>	<u>4,744</u>	<u>140,016</u>
Total personnel expenses	1,236,219	193,731	66,633	1,496,583
Advertising	222,412	3,744	34,858	261,014
Bad debts	1,530	-	-	1,530
Conferences and meetings	28,222	2,169	4,560	34,951
Contract services	12,045	500	3,045	15,590
Depreciation	13,880	4,627	-	18,507
Dues and subscriptions	1,908	4,825	679	7,412
Games	28,104	203	2,196	30,503
Insurance	13,729	5,310	4,610	23,649
Interest expense	121	55	42	218
Medals and awards	28,626	1,820	36,428	66,874
Miscellaneous	28,241	3,960	6,668	38,869
Occupancy	10,216	3,304	3,558	17,078
Office supplies	18,368	4,850	6,640	29,858
Postage and freight	5,340	421	8,243	14,004
Printing and pictures	20,312	183	12,232	32,727
Rent	135,915	156	5,544	141,615
Service fees	181,473	14,794	55,294	251,561
Supplies	185,665	16,909	40,541	243,115
Telephone	18,210	6,309	7,906	32,425
Travel and meals	<u>539,470</u>	<u>13,975</u>	<u>36,334</u>	<u>589,779</u>
Total expenses	<u>\$ 2,730,006</u>	<u>\$ 281,845</u>	<u>\$ 336,011</u>	<u>\$ 3,347,862</u>

See notes to financial statements.

**SPECIAL OLYMPICS MONTANA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,045,688	\$ (130,996)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,783	18,507
(Gain) loss on on investments, net	(49,445)	41,294
Decrease in value of split-interest agreements	37	2,404
Increase in cash surrender value of life insurance	(2,966)	(2,869)
Permanently restricted contributions	(712,983)	(20,189)
Change in:		
Inventory - educational and promotional items	1,630	1,886
Support receivable	(95,357)	(513)
Prepaid expenses	(268)	5,084
Accounts payable	8,366	60,249
Accrued vacation	(2,194)	12,035
Accrued liabilities	(20,652)	30,180
Deferred revenue	(78,361)	58,300
Annuity payable	10,214	3,563
Net cash provided by operating activities	120,492	78,935
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale or maturity of investments	691,343	269,498
Purchase of investments and reinvestments	(1,386,863)	(149,601)
Purchase of fixed assets	(32,000)	-
Net cash provided (used) by investing activities	(727,520)	119,897
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	712,983	20,189
Payments on annuities	(1,585)	(1,160)
Repayment of debt and capital lease	(5,830)	(8,044)
Net cash provided by financing activities	705,568	10,985
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	98,540	209,817
Cash and cash equivalents, beginning of year	1,261,085	1,051,268
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,359,625</b>	<b>\$ 1,261,085</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest included in operating activities	\$ 5,902	\$ 6,166

See notes to financial statements.

**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

**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.

Inventory:

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

**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Support Receivable:

Support receivable consists primarily of unconditional promises to give pledged to the Organization. All support receivables are expected to be collected during the next year. Management has determined that these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. A discount on pledges receivable in excess of one year has not been calculated, because management does not believe it would yield a material difference in the ending balance.

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 \$250,514 and \$261,014 for the years ended December 31, 2016 and 2015, respectively.

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 years ended December 31, 2016 and 2015. 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, 2016 and 2015**

**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. 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 are as follows:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Cash and equivalents	\$ 209,447	\$ 209,447	\$ 309,656	\$ 309,656
Fixed income	454,546	458,031	138,561	127,558
Equity investments	770,812	856,764	414,393	466,591
Alternative investments	178,597	159,989	31,912	35,498
Total investments	\$ 1,613,402	\$ 1,684,231	\$ 894,522	\$ 939,303

**3. CAPITAL LEASE**

Equipment under a capital lease consists of a copier with a capitalized cost of \$10,695 and accumulated depreciation of \$10,695 at December 31, 2016 and 2015. Depreciation expense reported in the statement of activities for the copier was zero and \$1,782 for the years ended December 31, 2016 and 2015. The lease includes a \$1 purchase option at the end of the lease period which was exercised during 2015. There are no future lease payments.

**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**4. 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, 2016 and 2015, was \$115,682 and \$121,512, respectively. 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:

2017	\$	6,642
2018		6,479
2019		6,808
2020		7,152
2021		<u>88,601</u>
Total long-term debt	\$	<u><u>115,682</u></u>

**5. 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 \$31,933 and \$28,409 for the years ended December 31, 2016 and 2015, respectively.

**6. 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 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.



**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**6. ENDOWMENT NET ASSETS (Continued)**

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 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 years ending December 31, 2016 and 2015, 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.

The composition of endowment net asset is as follows at December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 886,790	\$ 886,790
Gift annuities	-	13,081	253,147	266,228
Board-designated endowment funds	<u>68,178</u>	<u>-</u>	<u>-</u>	<u>68,178</u>
Total	<u>\$ 68,178</u>	<u>\$ 13,081</u>	<u>\$ 1,139,937</u>	<u>\$ 1,221,196</u>

The composition of endowment net asset is as follows at December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 251,114	\$ 251,114
Gift annuities	-	13,654	175,304	188,958
Board-designated endowment funds	<u>59,762</u>	<u>-</u>	<u>-</u>	<u>59,762</u>
Total	<u>\$ 59,762</u>	<u>\$ 13,654</u>	<u>\$ 426,418</u>	<u>\$ 499,834</u>

**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**6. ENDOWMENT NET ASSETS (Continued)**

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2014	\$ 85,259	\$ -	\$ 408,654	\$ 493,913
Contributions	-	-	20,189	20,189
Investment income	896	4,296	-	5,192
Net depreciation	(2,336)	(11,198)	-	(13,534)
Amounts appropriated for expenditure	(3,309)	-	-	(3,309)
Change in value of split-interest agreements	-	-	(2,425)	(2,425)
Reclassification adjustment	(13,846)	13,846	-	-
Net assets released from restrictions	<u>(6,902)</u>	<u>6,902</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2015	59,762	13,846	426,418	500,026
Contributions	-	-	712,983	712,983
Investment income	2,780	16,103	-	18,883
Net appreciation	2,967	17,189	-	20,156
Amounts appropriated for expenditure	(30,815)	-	-	(30,815)
Change in value of split-interest agreements	-	(573)	536	(37)
Net assets released from restrictions	<u>33,484</u>	<u>(33,484)</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2016	<u>\$ 68,178</u>	<u>\$ 13,081</u>	<u>\$ 1,139,937</u>	<u>\$ 1,221,196</u>

**7. 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, 2016 and 2015, 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, 2016 and 2015, was \$44,294 and \$35,665, respectively.

**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**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, 2016 and 2015, 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:

	<b>2016</b>	<b>2015</b>
Program expenses	\$ 56,160	\$ 56,160
Support expenses:		
Fundraising	33,696	33,696
Supporting services	3,744	3,744
Total	<b>\$ 93,600</b>	<b>\$ 93,600</b>

**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:

	<b>2016</b>	<b>2015</b>
Unrestricted revenues (contributions)		
Donated office supplies	\$ -	\$ 284
Donated supplies	23,840	51,480
Donated advertising	247,248	258,114
Donated travel and meals	7,987	45,134
Donated service fees	11,124	80,306
Donated rent	45,412	24,057
	<b>\$ 335,611</b>	<b>\$ 459,375</b>
Expenses		
Office supplies	\$ -	\$ 284
Supplies	23,840	51,480
Advertising	247,248	258,114
Travel and meals	7,987	45,134
Service fees	11,124	80,306
Rent	45,412	24,057
	<b>\$ 335,611</b>	<b>\$ 459,375</b>

**SPECIAL OLYMPICS MONTANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**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 \$2,612,314 and \$2,879,001 at the state level and \$498,091 and \$468,861 at the local level for the years ended December 31, 2016 and 2015, respectively.

**12. NET ASSETS**

Net assets are comprised of the following at December 31:

	<b>2016</b>	<b>2015</b>
Unrestricted net assets		
Invested in property and equipment, net of depreciation	\$ 224,402	\$ 209,185
Board designated funds	67,628	70,713
Undesignated	1,528,379	972,005
Total unrestricted net assets	1,820,409	1,251,903
Temporarily restricted net assets		
Capacity Campaign	-	364,173
Project Unified	49,363	(2,649)
Flathead Project	139,542	64,661
Gift Annuities	13,081	13,654
LEAP	246	-
Healthy Athletes	1,270	-
Total temporarily restricted net assets	203,502	439,839
Permanently restricted net assets		
Endowment	1,139,937	426,418
Total net assets	\$ 3,163,848	\$ 2,118,160

**13. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 12, 2017, the date on which the financial statements were available to be issued.

## **NON-ACCOUNTING INFORMATION**



## Special Olympics Montana 2016: 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 \$8.05/hour and the roles and responsibilities of nearly 4,000 volunteers who donated approximately 535,000 hours of their time and talent in 2016, we estimate that VVI was \$4,306,750. 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 volunteer's 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

Unaudited - see "Other Matter" on the independent auditors' report.



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

