Special Children's Charities

Financial Statements

Years Ended

December 31, 2019 and 2018

Sassetti

CERTIFIED PUBLIC ACCOUNTANTS

SPECIAL CHILDREN'S CHARITIES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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The Board of Directors
Special Children's Charities
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Special Children's Charities (an Illinois nonprofit organization) which are comprised of the statements of financial position as of December 31, 2019 and 2018, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 above present fairly, in all material respects, the financial position of Special Children's Charities as of December 31, 2019 and 2018, 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 described in Note 5, the Organization adopted ASU 2018-08. Adoption of the standard resulted in a prior period adjustment effective January 1, 2019. As also described in Note 5, Special Children's Charities improperly recognized accumulated depreciation on property and equipment during the year ended December 31, 2017. Effective January 1, 2018, net assets have been adjusted for correction of this misstatement. Our opinion on the December 31, 2019 and 2018 financial statements is not modified with respect to these matters.

Sassetti LLC

June 22, 2020
Oak Park, Illinois

SPECIAL CHILDREN'S CHARITIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,749,130	$ 1,676,045
Accounts receivable	236,057	614,653
Prepaid expenses	54,472	50,902
Investments	2,233,463	1,067,243
Property and equipment, net	126,693	157,322
Total Assets	$ 4,399,815	$ 3,566,165
LIABILITIES		
Accounts payable	$ 280,353	$ 299,545
Accrued expenses	23,908	22,203
Deferred revenue	181,583	151,729
Total Liabilities	485,844	473,477
NET ASSETS		
Without donor restrictions	3,539,725	3,092,688
With donor restrictions	374,246	-
Total Net Assets	3,913,971	3,092,688
Total Liabilities and Net Assets	$ 4,399,815	$ 3,566,165

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

SPECIAL CHILDREN'S CHARITIES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Special events, gross revenues	$ 2,344,565	$ 190,250	$ 2,534,815	$ 2,515,939	$ 40,637	$ 2,556,576
Less: Special events, gross expenses	(636,947)	-	(636,947)	(840,842)	-	(840,842)
State grants	79,443	125,000	204,443	250,000	-	250,000
Corporate, foundation and individual contributions, and sponsorships	422,809	222,633	645,442	541,483	82,811	624,294
Donated goods and services	160,000	-	160,000	136,290	-	136,290
Investment income, net of investment fees	36,640	-	36,640	21,324	-	21,324
Realized and unrealized gains (losses) on investments	154,934	-	154,934	(60,480)	-	(60,480)
Miscellaneous income	25	-	25	18,624	-	18,624
Net assets released from donor restrictions	288,637	(288,637)	-	123,448	(123,448)	-
Total Revenues and Other Support	2,850,106	249,246	3,099,352	2,705,786	-	2,705,786
EXPENSES						
Program	1,598,709	-	1,598,709	1,565,189	-	1,565,189
Management and general	343,679	-	343,679	306,492	-	306,492
Fundraising	460,681	-	460,681	430,840	-	430,840
Total Expenses	2,403,069	-	2,403,069	2,302,521	-	2,302,521
CHANGE IN NET ASSETS	447,037	249,246	696,283	403,265	-	403,265
NET ASSETS -						
Beginning of year	3,092,688	-	3,092,688	2,561,455	-	2,561,455
Prior period adjustment	-	125,000	125,000	127,968	-	127,968
Beginning of year - adjusted	3,092,688	125,000	3,217,688	2,689,423	-	2,689,423
End of year	$ 3,539,725	$ 374,246	$ 3,913,971	$ 3,092,688	$ -	$ 3,092,688

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

SPECIAL CHILDREN'S CHARITIES
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Advertising, promotions, and public relations	$ 21,050	$ 4,490	$ 10,999	$ 36,539	$ 35,893	$ 3,560	$ 50,137	$ 89,590
Apparel and uniforms	160,810	662	2,332	163,804	150,449	76	1,851	152,376
Athlete and community engagement	19,451	-	31	19,482	23,103	-	1,184	24,287
Audit and legal	-	15,661	-	15,661	-	26,854	-	26,854
Board costs	-	3,540	92	3,632	260	7,465	664	8,389
Employee benefits	1,614	3,032	4,462	9,108	-	-	-	-
Facility and equipment	114,376	3,287	120	117,783	147,173	-	1,200	148,373
Grants	239,394	-	-	239,394	242,987	-	-	242,987
Insurance	-	6,190	-	6,190	-	6,574	165	6,739
Meals and entertainment	81,920	2,401	3,425	87,746	110,953	1,316	14,120	126,389
Merchandise and supplies	78,016	283	6,368	84,667	100,370	1,169	7,485	109,024
Occupancy	47,766	73,443	73,443	194,652	40,406	59,924	59,924	160,254
Office	20,155	15,428	20,748	56,331	16,414	13,457	11,241	41,112
Other professional fees	15,570	85,208	7,094	107,872	52,527	94,295	131,302	278,124
Outside support	51,305	11,694	26,329	89,328	36,732	29,415	8,316	74,463
Payroll and payroll taxes	190,362	91,320	229,662	511,344	127,203	34,096	105,004	266,303
Photography	13,018	60	1,100	14,178	18,074	-	2,998	21,072
Transportation	168,319	1,547	783	170,649	161,544	4,074	2,089	167,707
Travel	363,677	-	-	363,677	285,237	-	334	285,571
Utilities, telephone and internet	2,460	3,444	5,528	11,432	4,359	5,996	7,719	18,074
Miscellaneous	505	4,107	50,283	54,895	1,325	282	7,168	8,775
Depreciation	8,941	17,882	17,882	44,705	10,180	17,939	17,939	46,058
Total expenses	$ 1,598,709	$ 343,679	$ 460,681	$ 2,403,069	$ 1,565,189	$ 306,492	$ 430,840	$ 2,302,521

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

SPECIAL CHILDREN'S CHARITIES
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 696,283	$ 403,265
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	44,705	46,058
Realized and unrealized (gains) losses, net	(154,934)	60,480
(Increase) decrease in assets		
Accounts receivable	378,596	(469,016)
Prepaid expenses	(3,570)	217,659
Other assets	-	2,748
Increase (decrease) in liabilities		
Accounts payable	(19,192)	196,070
Accrued expenses	1,705	13,925
Deferred revenue	154,854	98,882
Net Cash Provided by Operating Activities	1,098,447	570,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	-	312,755
Purchases of investments	(1,009,253)	(354,183)
Purchases of property and equipment	(16,109)	(11,459)
Net Cash Used In Investing Activities	(1,025,362)	(52,887)
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,085	517,184
CASH AND CASH EQUIVALENTS -		
Beginning of year	1,676,045	1,158,861
End of year	$ 1,749,130	$ 1,676,045
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Special Children's Charities (the "Organization") is a nonprofit organization, which is the co-sponsor, along with the Chicago Park District, of the Special Olympics in Chicago. Special Olympics provides year-round athletic 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. The Organization raises funds for these programs through special events and grants and donations from individuals, foundations, and corporations and awards an annual grant to the Chicago Park District for Special Olympics programming. The Chicago Park District provides the program planning, staffing, facilities, equipment, coaches' training, certification and professional development functions.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets - Net assets of the Organization are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash or other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions - Contributions received are recorded as with donor restriction or without donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in without donor restricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets is reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions.

Income Tax Status - The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). However, organizations which are exempt may be subject to unrelated business income taxes when an organization generates revenues from activities which are unrelated to the exempt purpose of the organization. Management believes the Organization has no material unrelated business income for the year ended December 31, 2019. The Organization's Forms 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after it is filed.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with an initial maturity of three months or less to be cash equivalents. No amounts were paid for interest and income taxes for the years ended December 31, 2019 and 2018.

Accounts Receivable - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance was deemed necessary by management at December 31, 2019 and 2018.

Property and Equipment - The Organization capitalizes property and equipment acquisitions in excess of $600. Property and equipment are recorded at cost if purchased and at fair value if contributed. Depreciation is calculated on a straight-line basis over the estimated useful lives of five to thirty-nine years or the lease term for leasehold improvements. Maintenance and repairs are charged to expense as incurred.

Reclassifications – The Statement of Activities for the year ended December 31, 2018 has been reclassified to conform to the current year presentation.

Property and equipment consisted of the following at December 31:

	2019	2018
Leasehold improvements	$ 195,579	$ 195,579
Vehicle	28,335	28,335
Equipment	36,758	20,649
	260,672	244,563
Less accumulated depreciation	133,979	87,241
	$ 126,693	$ 157,322

Depreciation expense was $44,705 and $46,058 for the years ended December 31, 2019 and 2018, respectively.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon direct costs.

In-kind Contributions – The Organization recognizes in-kind contributed services and materials at their estimated fair value. Recognition occurs if the services have value to the Organization, are provided by individuals possessing specialized skills, and would have been purchased if not provided by contributions. The Organization received $160,000 and $136,290, and of in-kind contributed occupancy expenses during the years ended December 31, 2019 and 2018, respectively. The Organization received $2,540 of donated goods during the year ended December 31, 2018. In-kind contributions are reflected in special events, gross revenues, and donated goods and services in the Statement of Activities.

A significant number of unpaid volunteers contribute time to the Organization. The value of these services is not reflected in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America because the time contributed was for non-specialized services, and the recognition criteria was not met.

Revenue Recognition - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard was adopted for the Organization's year ending December 31, 2019 and did not result in any adjustments or reclassifications.

In June 2018, the FASB issued 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU 2018-08 effective December 31, 2019. Adoption resulted in a prior period adjustment of $79,443. See Note 5 for details.

Management recognizes earned revenue as the Organization transfers control of deliverables (products, solutions and services) to the Organization's customers in an amount reflecting the consideration to which management expects to be entitled. To recognize revenues, management applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. The Organization accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Management applies judgment in determining the customer's ability and intention to pay based on a variety of factors including the customer's historical payment experience.

While Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the Organization has applied this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The Organization reasonably expects that the effect of applying this guidance to the portfolio would not differ materially from applying the guidance to individual contracts (or performance obligations) within the portfolio. As a result of the implementation of Topic 606, the Organization has not modified the presentation of the financial statements but has enhanced related revenue recognition disclosures.

The following revenue streams, with their respective performance obligations described as follows, are included in the new revenue standard, Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606):

Special events – The Organization generates revenues from ticketing and related program fees for several events held during the year and are recognized at the date of the event.

State grants – The Organization received grant funds from the State of Illinois to fund its operations. Grant revenues are recognized in full upon receipt. Net assets with donor restrictions from the grant are released from restrictions over the award year of the grant..

Corporate, foundation and individual contributions, and sponsorships – The Organization receives contributions from corporate, foundation, and individual sources. Revenues from contributions are typically recognized at the time the award is pledged. The Organization generates revenues from sponsorships for several events held during the year and are recognized at the date of the event.

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ending December 31, 2019:

50th Anniversary Celebration Funds	$	170,250
State of Illinois Lottery		125,000
JEM Fund		78,996
	$	374,246

At December 31, 2018, net assets with donor restrictions consisted of $125,000 from the State of Illinois Lottery. This amount is reflected in full in the prior period adjustment in the Statement of Activities for the year ended December 31, 2019.

3. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. These principles also established a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted (observable) market prices in active markets for identical assets or liabilities.

Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's valuation methodology used to measure the fair values of mutual funds were derived from quoted market prices as all of these instruments have active markets.

Fair values of assets measured on a recurring basis were as follows:

	Fair value of investments at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$1,237,381	$ -	$ -	$1,237,381
Equities	708,614	-	-	708,614
Mutual funds	287,468	-	-	287,468
Total investments at fair value	$2,233,463	$ -	$ -	$2,233,463

	Fair value of investments at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 223,337	$ -	$ -	$ 223,337
Equities	562,163	-	-	562,163
Mutual funds	281,743	-	-	281,743
Total investments at fair value	$1,067,243	$ -	$ -	$1,067,243

Investment income consisted of the following at December 31:

	2019	**2018**
Dividends and interest	$ 52,092	$ 35,879
Investment fees	(15,452)	(14,555)
	$ 36,640	$ 21,324

4. CONCENTRATION OF CREDIT RISK

The Organization's major funding sources include corporate, individual and foundation contributions, and revenue generated by various special events. The Polar Plunge is the Organization's largest event which constitutes approximately fifty-two percent and fifty percent of the Organization's revenue for the years ended December 31, 2019 and 2018, respectively.

5. PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2019, the Organization adopted ASU 2018-08. Adoption of ASU 2018-08 required an unconditional grant received during 2018 to be recognized in full at the time of receipt. The adoption of ASU 2018-08 resulted in a decrease of grants recognized during the year ended December 31, 2019 and an increase in net assets at January 1, 2019.

Accumulated depreciation on property and equipment was improperly recognized for the year ended December 31, 2017. The correction of this error increased property and equipment, net and net assets by $127,968 effective January 1, 2018.

6. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets (receivables) and lease liabilities (leasehold obligations) on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of revenue recognition in the statement of activities. The new standard will be effective for the Organization's December 31, 2022 financial statements. Early adoption is permitted.

7. SUBSEQUENT EVENTS

On March 10, 2020, the World Health Corporation declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response.

The Organization cannot predict how legal and regulatory responses to concerns about COVID-19 or other major public health issues will impact the Organization. Additionally, the Organization's ability to put on events will be limited, which could result in an adverse impact on the Organization's ability to fulfill its mission. The magnitude, timing, and duration of any such potential financial impacts cannot be reasonably estimated at this time.

The outbreak has negatively affected the stock market and investor sentiment and has resulted in significant market volatility. The Organization expects this matter to negatively impact its investments portfolio value, the related financial impact and duration of volatility cannot be reasonably estimated at this time.

Management of the Organization has evaluated subsequent events through June 22, 2020, which is the date the financial statements were available to be issued.