

**Special Olympics North Carolina, Inc.**  
Report on Audits of Financial Statements  
for the years ended December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of  
Special Olympics North Carolina, Inc.

We have audited the accompanying statements of financial position of Special Olympics North Carolina, Inc. as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics North Carolina, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*MPCCompany LLP*

April 30, 2019

Special Olympics of North Carolina, Inc.  
 Statements of Financial Position  
 December 31, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 1,466,418	\$ 1,294,941
Marketable securities	4,655,826	4,941,249
Receivables:		
Promises to give, net	25,805	27,282
Special Olympics, Inc.	87,112	78,628
Contributions	60,474	394,996
Sales tax receivable	31,859	30,855
Total receivables	<u>205,250</u>	<u>531,761</u>
Prepaid expenses	20,959	10,389
Inventories	32,547	24,215
Total current assets	<u>6,381,000</u>	<u>6,802,555</u>
Property and equipment:		
Office equipment and technology	100,284	173,684
Furniture and fixtures	21,788	22,063
Vehicles	53,672	90,262
Program equipment	54,412	52,289
Leasehold improvements	<u>26,138</u>	<u>30,681</u>
	256,294	368,979
Less accumulated depreciation and amortization	<u>170,141</u>	<u>293,707</u>
Property and equipment, net	<u>86,153</u>	<u>75,272</u>
Security deposits	<u>5,395</u>	<u>5,395</u>
Total assets	<u>\$ 6,472,548</u>	<u>\$ 6,883,222</u>

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

<u>Liabilities and Net Assets</u>	<u>2018</u>	<u>2017</u>
<b>Current liabilities:</b>		
Current obligations under capital lease	\$ 6,877	\$ 8,130
Accounts payable trade	137,288	107,527
Due to Special Olympics, Inc. - planned giving collaborative	10,545	89,783
Accrued compensation	74,776	71,923
Deferred compensation	25,000	-
Total current liabilities	<u>254,486</u>	<u>277,363</u>
<b>Noncurrent liabilities:</b>		
Obligations under capital lease, excluding current maturities	27,916	-
Deferred rent	189,627	195,985
Total noncurrent liabilities	<u>217,543</u>	<u>195,985</u>
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	5,423,547	5,707,902
Designated by the Board for athlete development	576,972	576,972
	<u>6,000,519</u>	<u>6,284,874</u>
With donor restrictions:		
Purpose restrictions	-	25,000
Time-restricted for future periods	-	100,000
	<u>-</u>	<u>125,000</u>
Total net assets	<u>6,000,519</u>	<u>6,409,874</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>6,472,548</u></b>	<b>\$ <u>6,883,222</u></b>

Special Olympics of North Carolina, Inc.  
 Statements of Activities  
 for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Revenues and gains (losses):		
Sponsorships	\$ 1,499,980	\$ 1,281,316
In kind sponsorships	2,210,031	2,191,887
Special events	1,887,904	1,740,065
Individual sources	1,016,372	1,078,168
Grants	662,250	625,591
Net investment return (loss)	(271,982)	642,966
Gain on disposal of equipment	240	4,886
Net assets released from restrictions	<u>125,000</u>	<u>148,039</u>
Total revenues and gains (losses)	<u>7,129,795</u>	<u>7,712,918</u>
Expenses:		
Programs and games	6,362,329	6,097,032
Fundraising	874,645	846,246
Management and general	<u>177,176</u>	<u>172,866</u>
Total expenses	<u>7,414,150</u>	<u>7,116,144</u>
Increase (decrease) in net assets without donor restrictions	<u>(284,355)</u>	<u>596,774</u>
Changes in net assets with donor restrictions:		
Net assets released from restrictions	<u>(125,000)</u>	<u>(148,039)</u>
Increase (decrease) in net assets with donor restrictions	<u>(125,000)</u>	<u>(148,039)</u>
Changes in net assets	(409,355)	448,735
Net assets, beginning of year	<u>6,409,874</u>	<u>5,961,139</u>
Net assets, end of year	\$ <u>6,000,519</u>	\$ <u>6,409,874</u>

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

Special Olympics of North Carolina, Inc.  
 Statements of Cash Flows  
 for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets	\$ (409,355)	\$ 448,735
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	29,996	31,778
Change in discount on promises to give	-	(1,961)
Gain on disposal of property and equipment	(240)	(4,886)
Realized and unrealized (gain) loss on investments	463,376	(492,435)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	326,511	60,200
Prepaid expenses	(10,570)	9,656
Inventories	(8,332)	550
Increase (decrease) in liabilities:		
Accounts payable	29,761	(52,381)
Due to Special Olympics, Inc. - planned giving collaborative	(79,238)	89,783
Accrued compensation	2,853	7,471
Deferred compensation	25,000	-
Net cash provided by operating activities	<u>369,762</u>	<u>96,510</u>
Cash flows from investing activities:		
Sales (purchases) of marketable securities, net	(177,953)	(145,645)
Proceeds from sale of property and equipment	14,931	4,886
Capital expenditures	(16,997)	(9,125)
Deferred rent	(6,358)	975
Net cash used in investing activities	<u>(186,377)</u>	<u>(148,909)</u>
Cash flows from financing activities:		
Principal payments of capital lease obligations	(11,908)	(10,798)
Net cash used in financing activities	<u>(11,908)</u>	<u>(10,798)</u>
Increase (decrease) in cash and cash equivalents	171,477	(63,197)
Cash and cash equivalents, beginning of year	1,294,941	1,358,138
Cash and cash equivalents, end of year	\$ <u>1,466,418</u>	\$ <u>1,294,941</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	\$ <u>1,659</u>	\$ <u>60</u>
Supplemental disclosure of noncash investing and financing activities:		
Capital lease obligation for new office equipment	\$ <u>38,571</u>	\$ <u>-</u>

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

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017

1. ORGANIZATION

Special Olympics North Carolina, Inc. (the Organization or SONC) is a nonprofit corporation authorized and accredited by Special Olympics, Incorporated (SOI). The Organization was established in 1971 to contribute to the physical, social and psychological development of citizens with intellectual disabilities through successful experience in sports training, health programs and competition. Based on information collected for the Special Olympics 2018 Global Athlete Census, SONC involves approximately 40,000 athletes throughout North Carolina in 19 sports. The accompanying financial statements include the activities of the Special Olympics North Carolina, Inc. headquarters (accredited US program office) and all affiliated units located throughout North Carolina. All North Carolina affiliated units are owned and operated under the direction of the Organization's chapter office.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of SONC are prepared on the accrual basis of accounting and in accordance with the principles contained in the audit and accounting guide, *Not-for-Profit Entities*, published by the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all investments with original maturity of 90 days or less to be cash equivalents. At December 31, 2018 and 2017, there were cash deposits of \$1,241,069 and \$1,072,743 in excess of amounts insured by the Federal Deposit Insurance Corporation.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Based on experience, management believes that the entire amounts are fully collectible. Therefore, no allowance for doubtful accounts has been recorded. In the unlikely event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the receivable balance. Promises to give receivables consist of promises made through consumer and business telemarketing campaigns recorded based on historical collection rates.

Receivables that are expected to be collected within one year are recorded at net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using interest rates applicable to the years in which the contributions are unconditionally committed.



Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories at December 31, 2018 and 2017 consist of medals awarded during competitions and souvenirs. Inventories are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Expenditures for property and equipment are stated at cost. Donated property and equipment is recorded at fair value at the date of receipt. Equipment under capital lease is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value of the equipment at the inception of the lease. Depreciation and amortization is provided over the estimated useful lives of the respective assets using the straight-line method. Equipment under capital lease and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the asset. The estimated useful lives range as follows:

Equipment and technology	3- 5 years
Furniture and fixtures	7 years
Vehicles	5 years
Leasehold improvements	3-10 years

Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition of property and equipment, the related asset and accumulated depreciation and amortization accounts are removed and any gain or loss is reflected in the statement of activities for the period. Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$26,996 and \$31,778, respectively.

Net Assets

Net assets, revenues, support, and gains are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for carrying out programs in sports training and competition. Marketable securities and cash equivalents in the amount of \$576,972 are designated at December 31, 2018 and 2017.

*Net Assets With Donor Restrictions* – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions restricted by donors are recorded as increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue is recognized when earned and are considered available for the general games program of the Organization, unless specifically restricted by the donor. The Organization is the beneficiary under various wills and trust agreements; the total amounts to be received of which is not presently determinable. Such amounts are recorded when the proceeds are measurable.

The Organization recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. The Organization recognizes unconditional promises to give at their net realizable value.

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. The Organization reports gifts of land, buildings, equipment and other nonmonetary contributions as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from North Carolina income taxes, accordingly, no income taxes have been provided in the accompanying financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Organization has evaluated events and transactions that occurred between December 31, 2018 and April 30, 2019 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,466,418	\$ 1,294,941
Marketable securities	4,655,826	4,941,249
Receivables	<u>205,250</u>	<u>531,761</u>
Total financial assets	<u>6,327,494</u>	<u>6,767,951</u>
Less amounts not available for general expenditures within one year:		
Current obligations under capital lease	<u>(6,877)</u>	<u>(8,130)</u>
Total financial assets available to meet general expenditures within one year	\$ <u>6,320,617</u>	\$ <u>6,759,821</u>

Board-designated amounts could be made available, if necessary for general expenditures and are therefore reflected in the amounts above.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is also supported by restricted contributions. Because a donor or grantor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resource to meet those responsibilities to its donor or grantor. Thus, financial assets may not be available for general expenditures within one year.

4. FAIR VALUE MEASUREMENTS

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP). At December 31, 2018 and 2017, the Organization had exchange traded funds, mutual funds, and, land held for investment that were carried at fair value for which the disclosure requirements of FASB ASC 820 applies.

FASB ASC 820 establishes three levels of inputs that may be used to measure fair value: Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date; Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active market for similar assets or liabilities, quoted prices for identical or similar 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 reflect the Organization's own assumptions about market participants and prices.

Fair value of assets measured on a recurring basis at December 31 are as follows:

<u>2018</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ <u>4,655,826</u>	\$ <u>4,655,826</u>	\$ <u>-</u>	\$ <u>-</u>

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
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4. FAIR VALUE MEASUREMENTS (Continued)

<u>2017</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ <u>4,941,249</u>	\$ <u>4,941,249</u>	\$ <u>      -</u>	\$ <u>      -</u>

5. MARKETABLE SECURITIES

Marketable debt and equity securities are reported at fair market values based on quotations obtained from national securities exchanges or brokerage firms.

At December 31, 2018 and 2017, the aggregate fair market value of marketable securities exceeded their aggregate cost by \$853,207 and \$665,899, respectively. The Organization realized gains of \$99,882 and \$7,880 from the sale of marketable securities for the years ended December 31, 2018 and 2017, respectively. For purposes of determining the gain or loss on a sale, the cost of marketable securities is based on the average cost of all shares of each such investment fund at the date of sale. Unrealized appreciation (depreciation) related to marketable securities was \$(563,258) and \$484,555 for the years ended December 31, 2018 and 2017, respectively. The Organization incurred investment fees of \$35,318 and \$32,889 for the years ended December 31, 2018 and 2017, respectively.

6. CONTRIBUTED SERVICES, FACILITIES AND MATERIALS

The Organization recognizes contributions of services received if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed specialized services, facilities, advertising, printing, property and equipment in the amounts of \$2,210,031 and \$2,191,887 have been recognized in the accompanying statements of activities for the years ended December 31, 2018 and 2017, respectively.

7. JOINT COST ALLOCATION

The Organization accounts for all joint activity costs in accordance with FASB ASC 958-720-20, *Accounting for Costs of Activities of Not-For-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*. This statement requires that certain criteria be met before joint activity costs are allocated between functions. If the criteria are not met, all joint activity costs are considered fund raising costs.

Joint cost activity related to telemarketing costs for volunteer recruitment, athlete recruitment and support of programs in the amounts of \$179,649 and \$211,297 for the years ended December 31, 2018 and 2017, respectively have been allocated as follows:

	<u>2018</u>	<u>2017</u>
Programs and games	\$ 134,640	\$ 158,473
Fundraising	<u>45,009</u>	<u>52,824</u>
	\$ <u>179,649</u>	\$ <u>211,297</u>

8. EMPLOYEE BENEFIT PLANS

The Organization has a defined contribution pension plan, which covers all permanent employees that have completed one year of service. Contributions are made to the plan at 3% of the participants' gross salary. Retirement expense was \$35,940 and \$29,895, for the years ended December 31, 2018 and 2017, respectively.

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017

8. EMPLOYEE BENEFIT PLANS (Continued)

In 2018 the Organization's Board approved the establishment of a deferred compensation plan for two key positions under IRC section 457(b). Also, in 2018, the Board approved a total contribution to the plan of \$25,000 which was funded subsequent to year end. The plan became effective January 1, 2019 and allows for employer elective contributions but does not allow for employee contributions. The approved 2018 contribution is included in deferred compensation on the statements of financial position at December 31, 2018.

9. RELATED PARTY TRANSACTIONS

Special Olympics Inc. (SOI) distributes mailings to individuals and corporations requesting contributions on behalf of the Organization. SOI also collects contributions from its website and through other fund raising initiatives on behalf of the Organization. SOI collects these contributions and remits them to the Organization. SOI also awards grants to the Organization. Total revenue from SOI recognized during the years ended December 31, 2018 and 2017 was \$837,045 and \$904,240, respectively, of which \$87,112 and \$78,628, respectively, was in accounts receivable at December 31, 2018 and 2017.

The Organization recorded dues, planned giving collaborative, and other various payments to SOI of \$156,793 and \$221,136 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, \$10,545 and \$89,783, respectively, was due to Special Olympics, Inc. for the planned giving collaborative.

Members of the board and employees contributed \$72,053 and \$19,497 to the Organization in 2018 and 2017, respectively.

The Organization received donated legal services from the firm of a member of the board of \$3,600 and \$5,658 for the years ended December 31, 2018 and 2017, respectively.

10. LEASES

Operating Leases

The Organization leases facilities under non-cancelable operating leases scheduled to expire at various dates through September 2026. Total rental expense under these leases was \$201,265 and \$204,002 for the years ended December 31, 2018 and 2017, respectively. The Organization's Raleigh and Charlotte facility leases both have options to renew for an additional five years.

Certain of these facility lease agreements include rent abatement and contain rent escalation clauses; thus, payments under these facility leases vary during the term of the related lease. FASB ASC 840, Leases, requires that rental expense be recognized on a straight-line basis. As such, rental payment more (less) than rental expenses in the amount of \$6,358 and \$(975) has been reflected in the accompanying statements of activities for the years ended December 31, 2018 and 2017, respectively. Deferred rent is \$189,627 and \$195,985 at December 31, 2018 and 2017, respectively.

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
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10. LEASES (Continued)

Future minimum lease payments under non-cancelable operating lease agreements at December 31, 2018 are as follows:

2019	\$ 167,023
2020	165,721
2021	169,864
2022	174,110
2023	178,463
Thereafter	<u>511,566</u>
Total	\$ <u>1,366,747</u>

Capital Leases

In February 2018 the Organization acquired a new capital lease for copiers in the amount of \$49,810 with an effective interest rate of 0.021% expiring April 2023. The new lease provided funds to the Organization to buyout the remaining amount of the prior lease. The cost of the copiers under capital lease is included in the statement of financial position under the caption office equipment and technology. The cost of the copiers was \$38,571 and \$51,486 at December 31, 2018 and 2017, respectively. Accumulated amortization on the leased copiers at December 31, 2018 and 2017 was \$7,714 and \$39,541, respectively. Amortization of assets under capital lease is included in depreciation expense.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments at December 31, 2018, are as follows:

Year ending December 31:

2019	\$ 9,320
2020	9,320
2021	9,320
2022	9,320
2023	<u>3,883</u>
	41,163
Less amounts representing interest	<u>6,370</u>
Present value of net minimum lease payments	34,793
Less current obligations under capital lease	<u>6,877</u>
Noncurrent portion of capital lease obligations	\$ <u>27,916</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for the specified purpose:		
Sponsorships	\$ -	\$ 25,000
Subject to the passage of time:		
Contributions	<u>-</u>	<u>100,000</u>
	\$ <u>-</u>	\$ <u>125,000</u>

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
December 31, 2018 and 2017

11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time for the years ended December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
Sponsorship	\$ 25,000	\$ 25,000
Passage of time:		
Contributions	<u>100,000</u>	<u>123,039</u>
	<u>\$ 125,000</u>	<u>\$ 148,039</u>

12. CONCENTRATIONS

The NC Law Enforcement Torch Run for Special Olympics is an annual initiative that involves hundreds of law enforcement officers representing more than 200 agencies throughout the state raising awareness and funds for SONC. The fundraising is carried out through a multitude of special events held during the year such as golf tournaments, polar plunges, 5K races, Tip-A-Cop promotions, Building Sits and more. The officers also accept donations from the public in exchange for an annual commemorative T-shirt. Additionally, the officers raise funds through sponsorships from corporations and businesses. The Law Enforcement Torch Run® for Special Olympics is officially endorsed by the International Association of Chiefs of Police, the North Carolina Association of Chiefs of Police, the National Sheriff's Association, the North Carolina Sheriff's Association, the International Association of Campus Law Enforcement Administrators, the National Association of School Resource Officers, NC Association of School Resource Officers, NC Department of Justice and the NC Department of Public Safety. The Organization derived approximately 18% and 14% of its revenues from contributions generated through the NC Law Enforcement Torch Run during the years ended December 31, 2018 and 2017, respectively.

Approximately 42% and 15% of the Organization's receivables were due from Special Olympics, Inc. at December 31, 2018 and 2017, respectively. Approximately 52% of the Organization's receivables were due from two contributing organizations at December 31, 2017.

Approximately 62% and 12% of the Organization's payables were due to four and one vendors at December 31, 2018 and 2017, respectively. Approximately 47% of the Organization's payables were due to Special Olympics, Inc. at December 31, 2017.

13. CONDITIONAL GRANT

During the year ended December 31, 2018, the Organization received a conditional grant totaling \$250,000. During 2018 the Organization received and recorded grant revenue of \$112,500 as conditions were met. The remainder of the grant, \$137,500 is due upon meeting certain conditions. As these conditions have not been met as of December 31, 2018, they have not been recorded as grant revenue in 2018.

During the year ended December 31, 2017, the Organization received a conditional grant totaling \$200,000. During 2017 the Organization received and recorded grant revenue of \$100,000 as conditions were met. The remainder of the grant, \$100,000 is due upon meeting certain conditions. As these conditions have not been met as of December 31, 2017, they have not been recorded as grant revenue in 2017.

Special Olympics North Carolina, Inc.  
Notes to Financial Statements  
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14. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility rental and utilities which are allocated on a square footage basis, as well as salaries, payroll taxes, benefits, uniform and clothing, meals, housing, awards and recognition, subscriptions and resources, and telephone, which are allocated on the basis of estimates of time and effort.