

SPECIAL OLYMPICS IOWA, INC.

FINANCIAL REPORT

**YEAR ENDED
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Special Olympics Iowa, Inc.
Grimes, Iowa

We have audited the accompanying financial statements of Special Olympics Iowa, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Olympics Iowa, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



West Des Moines, Iowa
September 9, 2019

SPECIAL OLYMPICS IOWA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash and cash equivalents	\$ 1,808,580
Accounts receivable	24,756
Promises to give	84,249
Investments	358,090
Certificates of deposit	101,990
Prepaid expenses	35,923
Property and equipment, net of accumulated depreciation	1,662,065
Restricted for permanent endowment:	
Beneficial interests in community trusts	26,408
Beneficial interest in perpetual trust	<u>140,948</u>
Total assets	<u>\$ 4,243,009</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 28,946
Accrued expenses	32,476
Deferred revenue	<u>22,775</u>
Total liabilities	<u>\$ 84,197</u>

NET ASSETS

Without donor restrictions	\$ 3,882,207
With donor restrictions	<u>276,605</u>
Total net assets	<u>\$ 4,158,812</u>
Total liabilities and net assets	<u>\$ 4,243,009</u>

See Notes to Financial Statements.

SPECIAL OLYMPICS IOWA, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT & REVENUE			
Public Support:			
Contributions and sponsorships	\$ 753,711	\$ 85,516	\$ 839,227
In-kind contributions	1,493,812	-	1,493,812
Statewide partner sponsorships	175,000	-	175,000
Grants and appropriations	237,500	-	237,500
Special events	712,137	-	712,137
Fundraising	834,378	-	834,378
	<u>\$ 4,206,538</u>	<u>\$ 85,516</u>	<u>\$ 4,292,054</u>
Revenue:			
Program revenues	\$ 147,165	\$ -	\$ 147,165
Investment loss	(2,560)	-	(2,560)
Change in beneficial interests	-	(16,496)	(16,496)
Loss on sale of assets	(1,000)	-	(1,000)
	<u>\$ 143,605</u>	<u>\$ (16,496)</u>	<u>\$ 127,109</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	\$ 15,718	\$ (15,718)	\$ -
Satisfaction of time restrictions	75,047	(75,047)	-
	<u>\$ 90,765</u>	<u>\$ (90,765)</u>	<u>\$ -</u>
 Total public support and revenue	 <u>\$ 4,440,908</u>	 <u>\$ (21,745)</u>	 <u>\$ 4,419,163</u>
EXPENSES			
Program services:			
Games and Competition	\$ 2,868,490	\$ -	\$ 2,868,490
Challenge Days	73,988	-	73,988
Healthy Athletes	68,380	-	68,380
Unified Champion Schools®	489,521	-	489,521
Athlete Leadership	42,114	-	42,114
Young Athlete Play Days	82,864	-	82,864
Total program services	<u>\$ 3,625,357</u>	<u>\$ -</u>	<u>\$ 3,625,357</u>
Supporting services:			
Fundraising	\$ 733,338	\$ -	\$ 733,338
Management and general	132,546	-	132,546
Total supporting services	<u>\$ 865,884</u>	<u>\$ -</u>	<u>\$ 865,884</u>
Cost of direct benefits to donors	\$ 23,073	\$ -	\$ 23,073
Total expenses	<u>\$ 4,514,314</u>	<u>\$ -</u>	<u>\$ 4,514,314</u>
CHANGE IN NET ASSETS	\$ (73,406)	\$ (21,745)	\$ (95,151)
NET ASSETS, beginning of year, as restated	<u>3,955,613</u>	<u>298,350</u>	<u>4,253,963</u>
NET ASSETS, end of year	<u>\$ 3,882,207</u>	<u>\$ 276,605</u>	<u>\$ 4,158,812</u>

See Notes to Financial Statements.

SPECIAL OLYMPICS IOWA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services						Supporting Services			Cost of Direct Benefit to Donor	Total Expenses	
	Games and Competiton	Challenge Days	Healthy Athletes	Unified Champion Schools®	Athlete Leadership	Young Athlete Play Days	Total	Fundraising	Management and General			Total
Salaries and benefits	\$ 430,426	\$ 40,446	\$ 40,446	\$ 256,788	\$ 21,241	\$ 33,475	\$ 822,822	\$ 211,750	\$ 92,821	\$ 304,571	\$ -	\$ 1,127,393
Events and games supplies	854,829	14,223	8,614	110,073	10,726	33,399	1,031,864	-	-	-	-	1,031,864
Fundraising	-	-	-	-	-	-	-	180,940	-	180,940	-	180,940
Special events	-	-	-	-	-	-	-	133,838	-	133,838	23,073	156,911
In-kind services and facilities	1,377,631	-	-	-	-	-	1,377,631	116,181	-	116,181	-	1,493,812
Public education and awareness	38,974	3,662	3,662	23,251	1,923	3,031	74,503	19,173	8,405	27,578	-	102,081
SOI accreditation fees	21,382	2,008	2,009	12,756	1,055	1,663	40,873	-	-	-	-	40,873
Supplies and travel	27,697	2,603	2,603	16,523	1,367	2,154	52,947	13,625	5,973	19,598	-	72,545
Office and occupancy	35,144	3,302	3,302	20,967	1,734	2,733	67,182	17,289	7,579	24,868	-	92,050
Service and professional fees	36,020	3,385	3,385	21,489	1,778	2,801	68,858	17,720	7,767	25,487	-	94,345
Insurance	12,332	1,159	1,159	7,357	609	959	23,575	6,067	2,659	8,726	-	32,301
Depreciation	34,055	3,200	3,200	20,317	1,681	2,649	65,102	16,755	7,342	24,097	-	89,199
Total expenses	\$ 2,868,490	\$ 73,988	\$ 68,380	\$ 489,521	\$ 42,114	\$ 82,864	\$ 3,625,357	\$ 733,338	\$ 132,546	\$ 865,884	\$ 23,073	\$ 4,514,314

See Notes to Financial Statements.

SPECIAL OLYMPICS IOWA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (95,151)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	89,199
Loss on disposal of asset	1,000
Net realized and unrealized loss on investments and certificates of deposit	26,922
Outside endowment contributions to beneficial interest in community trust	(1,267)
Change in value of beneficial interest in community trusts	2,541
Change in value of beneficial interest in perpetual trust	13,955
(Increase) decrease in assets; (decrease) increase in liabilities:	
Accounts receivable	(13,889)
Promises to give	53,239
Prepaid expenses	(12,734)
Accounts payable	5,121
Accrued expenses	9,272
Deferred revenue	(58,686)
Net cash provided by operating activities	<u>\$ 19,522</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	\$ 77,933
Purchase of investments	(82,535)
Proceeds from sale of CDs	20,200
Purchase of CDs	(20,200)
Proceeds from sale of beneficial interest in community trust	1,315
Proceeds from sale of beneficial interest in perpetual trust	8,153
Purchase of property and equipment	(48,750)
Net cash (used in) investing activities	<u>\$ (43,884)</u>
 Net (decrease) in cash and cash equivalents	 \$ (24,362)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>1,832,942</u>
 End of year	 <u><u>\$ 1,808,580</u></u>

See Notes to Financial Statements.

SPECIAL OLYMPICS IOWA, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Organization:

Special Olympics Iowa, Inc. (SOIA) provides year-round sports training and athletic competition in a variety of Olympic-type sports for individuals with intellectual disabilities by 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 is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Programs:

Games and Competition - The Organization provides Olympic-style training and competition in twenty-three different sports throughout the year for individuals with intellectual disabilities.

Challenge Days - Challenge Days introduce team sports adapted for the severe and profound as well as those who are unable to participate in the traditional Special Olympics programs. Activities, such as bocce, ramp bowling, balloon volleyball, team basketball, basketball shoot, batting, ball darts, golf, shot put, race walk, and wall pass are modified to allow youth and adults to participate in a team or as an individual. Volunteers and switch activated equipment are on site to assist the athletes as they participate in each event.

Healthy Athletes - Special Olympics Healthy Athletes is a program designed to help Special Olympics athletes improve their health and fitness. This can lead to a better sports experience and improved well-being. Athletes receive a variety of health services through clinics conducted in welcoming environments at Special Olympics competitions.

Unified Champion Schools® - Special Olympics Unified Champion Schools®, formerly known as Project UNIFY®, brings together students with and without intellectual disabilities through education, sports and youth leadership to provide them with the knowledge, attitudes and skills necessary to create and sustain school communities that promote acceptance and respect.

Athlete Leadership – The Organization provides an education program to train individuals with intellectual disabilities in literacy, leadership, and speaking skills.

Young Athlete Play Days – Young Athlete Play Days are an introduction to Special Olympics. Children participate in 11 different activities, representing 11 different sports offered by Special Olympics. The program helps increase the young children's strength and coordination for sports while introducing them to group play, cooperation, and awareness of rules.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (*Continued*)

Summary of the Organization's significant accounting policies:

Cash and cash equivalents:

SOIA considers all checking, savings, money market accounts, and highly liquid investments with initial maturity of three months or less to be cash and cash equivalents. Donated securities that are immediately converted to cash or cash equivalents and are not restricted by donors for long-term purposes are recorded as cash inflows from operations within the statement of cash flows.

Promises to give:

SOIA distinguishes between contributions received with donor restrictions and those without donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions unless the Organization meets the donor-imposed restriction on all or a portion of the amount contributed in the same reporting period in which the contribution was received. In those cases the contributions, to the extent the restrictions have been met, are reported as increases in net assets without donor restrictions. Receipts of unconditional promises to give with payments due in future periods are reported as increases in net assets with donor restrictions unless it is clear that the donor intended the gift to be used to support activities in the current period.

Unconditional promises to give with payments due in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise was received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. All promises to give at December 31, 2018 were expected to be collected within the next year; therefore, there is no unamortized discount as cost represents net realizable value.

Expiration of donor-imposed restrictions:

SOIA recognizes the expiration of donor-imposed restrictions on contributions in the period in which the restriction expires. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Expirations are recorded separately in the statement of activities as reclassifications.

Donated property and services:

Donated property or equipment is generally reflected as a contribution in the financial statements at its estimated fair market value at the date of receipt.

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of individuals volunteer their time, including area directors and coaches, for the Games and Competitions program. This contribution of \$1,098,636 is reflected in the financial statements at the estimated fair market value at the time the service is performed.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies *(Continued)*

Summary of the Organization's significant accounting policies: *(Continued)*

Special events:

All revenue relating to special events is recorded as special event revenue. The portion of special event revenue that are contributions, including in-kind contributions, are recognized in accordance with authoritative guidance over contributions from special events. The costs of all food, beverages, and entertainment for donors are reported as costs of direct benefits to donors. All other expenses of promoting and conducting the special event are reported as fundraising.

All other event revenues relate to programming and are not recorded as special events.

Investments:

Investments in marketable equity securities and debt securities are carried at fair value, determined by market values of the securities, and realized and unrealized gains and losses are reflected in the statement of activities net assets without donor restrictions.

Certificates of deposit:

SOIA considers all certificates of deposits with initial maturities greater than three months to be short-term investments that are recorded at fair market value.

Property and equipment:

Additions to property and equipment are recorded at cost or estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 50 years. The applicable accounts are relieved of costs and related accumulated depreciation when any items are sold or otherwise disposed. Gain or loss is recorded at that time.

Perpetual trust:

A perpetual trust is an arrangement in which a donor establishes and funds a perpetual trust administered by an individual or entity other than the organization. Under the terms of the trust, the organization has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Under this arrangement, the present value of the estimated future cash receipts from the trust assets (generally equal to the fair value of the assets contributed to the trust) is recorded as a donor restricted contribution revenue in the year the trust is established. Annual distributions are reported as contribution income and classified according to any restrictions on distributions. Adjustments to the amount reported as an asset are based on an annual review using the same basis as was used to measure the asset initially, and are recorded in the statement of activities under the caption "change in beneficial interests". The perpetual trust is adjusted annually to its fair market value.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies *(Continued)*

Summary of the Organization's significant accounting policies: *(Continued)*

Deferred revenue:

SOIA holds events that they charge a registration fee for, which is due before the event is held. This revenue is deferred until the event occurs. SOIA also has events throughout the year that it receives sponsorships for. Sponsorships that have been received for events that have not yet occurred have also been deferred.

Classification of net assets:

Without donor restrictions - assets that are available for use in general operations and not subject to donor restrictions. The Organization's governing board may earmark portions of its net assets without donor restrictions as board-designated for various purposes.

With donor restrictions - assets that are subject to donor restrictions. Some donor-imposed restrictions are temporary in nature such as those that will be met by the passage of time or by actions of the organization meeting the purpose of the restriction. Other donor-imposed restrictions are perpetual in nature, such as endowment type funds, where the donor stipulates that resources be maintained in perpetuity.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Joint costs:

SOIA has a third-party vendor that provides certain telemarketing services on its behalf. These services include soliciting contributions, recruiting volunteers, and promoting awareness of SOIA. The costs of conducting these activities are allocated by management based on the content of the telemarketing scripts as follows:

Program costs	\$	35,683
Fundraising costs		37,101
	\$	<u>72,784</u>

Functional expense allocations:

The allocation of expenses shown on the statement of functional expenses is made by management using estimates of time and effort based on historical data combined with their knowledge of the current year activities.

Income taxes:

SOIA is a not-for-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Organization has filed for and received income tax exemption in the various jurisdiction where they are required to do so. The Organization files a form 990 tax return in the U.S. federal jurisdiction.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies *(Continued)*

Summary of the Organization's significant accounting policies: *(Continued)*

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update 2016-14 (the ASU), *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, enhances information about liquidity and availability of resources, and provides consistency in the type of information provided about expenses and investment return. The Organization has implemented the ASU and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively and did not result in any changes to or reclassifications of net assets.

Note 2. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of demand deposits located at a financial institution. These demand deposits exceeded the FDIC insurable limit of \$250,000 at times throughout the year.

Note 3. Liquidity and Availability

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

Cash and cash equivalents	\$ 1,808,580
Accounts receivable	24,756
Promises to give	84,249
Investments	358,090
Certificates of deposit	101,990
	<u>\$ 2,377,665</u>

Special Olympics Iowa regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Special Olympics Iowa considers all expenditures related to its ongoing activities of games and competitions in its availability as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements

SOIA's investments are stated on the statement of financial position at fair value at December 31, 2018, and were composed of the following:

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of deposit	\$ -	\$ 101,990	\$ -	\$ 101,990
Mutual funds:				
U.S. equity funds	149,059	-	-	149,059
International equity funds	36,170	-	-	36,170
Fixed income funds	172,861	-	-	172,861
Total	<u>\$ 358,090</u>	<u>\$ 101,990</u>	<u>\$ -</u>	<u>\$ 460,080</u>
Beneficial interests in community trusts	\$ -	\$ -	\$ 26,408	\$ 26,408
Beneficial interest in perpetual trust	-	-	140,948	140,948
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,356</u>	<u>\$ 167,356</u>

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices of similar assets or liabilities in active markets or quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority.

Level 1 Fair Value Measurements

The fair value is based on quoted market prices of shares held by the Organization at year-end.

Level 2 Fair Value Measurements

The fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from observable market data.

Level 3 Fair Value Measurements

The beneficial interests are not actively traded and significant other observable inputs are not available. The fair value of the beneficial interests is valued by the trustees using Level 1 and Level 2 inputs.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements *(Continued)*

The following table provides further details of the Level 3 fair value measurements:

	Beneficial Interests in Community Foundations	Beneficial Interest in Perpetual Trust
Beginning balance	\$ 28,997	\$ 163,056
Contributions	1,267	-
Change in value of beneficial interests	(2,541)	(13,955)
Less distributions	1,315	8,153
Ending balance	\$ 26,408	\$ 140,948

Note 5. Beneficial Interests in Community Foundations

The Organization is the beneficiary of two accounts, one held at the Community Foundation of Greater Des Moines (CFGDM) and one held at the Community Foundation of Greater Dubuque (CFGD), under the Endow Iowa provisions of the Iowa Code. Pursuant to these agreements, the Organization may receive distributions from the fund not exceeding 5% of the balance of the previous year end. Although CFGDM and CFGD has the power to modify restrictions or conditions on the distributions under certain conditions, the Organization does not consider this to effectively constitute variance power, due to the unlikelihood of such conditions occurring.

The balance of both accounts are being accounted for as a beneficial interests, and are valued at the fair value of the underlying assets. The balance of the beneficial interests as of December 31, 2018 were \$12,561 and \$13,487, respectively.

Adjustments to the amount reported as an asset are based on an annual review using the same basis as used to initially measure the asset and are recorded in the statement of activities under the caption “change in beneficial interests.”

Note 6. Endowment Funds

SOIA’s endowment consists of gifts from donors to support their mission held as beneficial interests at the CFGDM, CFGD, and a perpetual trust held by a trustee. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Spending policies:

SOIA has adopted the distribution and spending policies of CFGDM and CFGD, which allow but do not require the distribution of up to 5% of the balance at December 31 of the previous year. The distributions from the beneficial interest in a perpetual trust is determined by the trustee rather than SOIA.

NOTES TO FINANCIAL STATEMENTS

Note 6. Endowment Funds (Continued)

Investment policies:

The investment management of the beneficial interests held at the CFGDM and CFGD are the responsibility of the CFGDM and CFGD per contracts the Organization was required to sign upon the creation of their accounts with these organizations. The investment management of the beneficial interest in a perpetual trust is determined by the trustee rather than SOIA.

Interpretation of relevant law:

SOIA has interpreted the State of Iowa 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, SOIA retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) any accumulations to the 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 retained in perpetuity is subject to appropriation for expenditure by SOIA in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, SOIA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) duration and preservation of the fund, (2) the purpose 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 appreciation of investments, (6) SOIA's spending policy for endowment funds, and (7) SOIA's Investment policies.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment reconciliation:

Changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 192,053	\$ 192,053
Contributions	-	1,267	1,267
Change in beneficial interests	-	(16,496)	(16,496)
Appropriated expenditures	-	(9,468)	(9,468)
Endowment net assets, end of year	\$ -	\$ 167,356	\$ 167,356

NOTES TO FINANCIAL STATEMENTS

Note 7. Property and Equipment

The following is a summary of the property and equipment at December 31, 2018:

Land	\$ 230,012
Buildings	1,929,647
Furniture	41,156
Equipment	203,160
Vehicles	168,868
Total cost	<u>\$ 2,572,843</u>
Less accumulated depreciation	<u>(910,778)</u>
Net property and equipment	<u>\$ 1,662,065</u>

Note 8. Operating Leases

SOIA leases equipment from a third party under a noncancellable operating lease.

Future minimum rental payments required under operating leases at December 31, 2018 are as follows:

<u>Years</u>	
2019	\$ 1,057
2020	1,057
2021	1,057
2022	1,057
	<u>\$ 4,228</u>

Rent expense for the year ended December 31, 2018 was \$31,352.

Note 9. Net Assets

Net assets with donor restrictions consist of the following at December 31, 2018:

Purpose restricted:	
Young Athletes Program	<u>\$ 25,000</u>
Time restricted:	
Promises to give	<u>\$ 84,249</u>
Donor restricted endowments	<u>\$ 167,356</u>
Total net assets with donor restrictions	<u>\$ 276,605</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Special Events

SOIA holds multiple events benefiting the Organization's programs. The following is summarized financial information related to the events:

Special event revenue	\$ 712,137
Less: Costs of direct benefits to donors	23,073
Expenses related to promoting and conducting the event	<u>133,838</u>
Net revenue from special events	<u>\$ 555,226</u>

Note 11. Pension Plan

SOIA sponsors a 401(k) defined contribution plan for all eligible employees. The Organization matches 50% of employee's deferrals up to 8% of eligible compensation. Retirement plan expense was \$25,270 for the year ended December 31, 2018.

Note 12. Affiliate Transactions

SOIA is accredited by Special Olympics, Inc. (SOI) to conduct Special Olympic activities within the state of Iowa. SOIA paid \$40,875 in accreditation fees to SOI during the year ended December 31, 2018.

SOIA has an agreement with SOI for cooperative national fundraising projects. These projects earned \$390,510 during the year ended December 31, 2018, of which SOIA received \$236,784. The remaining \$153,726 was retained by SOI as payment for services rendered.

SOIA was the recipient of a grant from SOI for Unified Champion Schools from which they earned \$122,500 during the year ended December 31, 2018.

NOTES TO FINANCIAL STATEMENTS

Note 13. Correction of an Error

During the year ended December 31, 2018, it was determined that certain revenue recognized during the year was earned in the prior year and therefore should have been recognized in the prior year net assets. In addition, a reclassification was made between net asset classes to recognize the time restriction on promises to give.

The changes have the following effects on revenues and net assets:

	<u>As Originally Presented</u>	<u>After Correction</u>
Net asset at December 31, 2017		
Without donor restrictions	\$ 4,018,810	\$ 3,955,613
With donor restrictions	223,304	298,350
Total net assets	<u>\$ 4,242,114</u>	<u>\$ 4,253,963</u>
Revenues for the year ended December 31, 2017		
Contributions and sponsorships	<u>\$ 670,536</u>	<u>\$ 682,385</u>

Note 14. Subsequent Events – Date of Management Evaluation

Management has evaluated subsequent events through September 9, 2019, the date the financial statements were available to be issued.