

**Special Olympics Iowa, Inc.**

**Financial Report**

**Year Ended  
December 31, 2019**



**Special Olympics Iowa, Inc.**  
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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, 2019, 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, 2019, 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.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 1 to the financial statements, on January 1, 2019 Special Olympics Iowa, Inc. adopted new accounting guidance, FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

The 2018 financial statements of Special Olympics Iowa, Inc. were audited by Brooks Lodden, P.C., who merged with BerganKDV, Ltd. as of September 1, 2019 and expressed an unmodified opinion on those audited financial statements in their report dated September 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Urbandale, Iowa  
July 16, 2020

**Special Olympics Iowa, Inc.**  
**Statement of Financial Position**  
**December 31, 2019**  
**With Comparative Totals for 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,945,561	\$ 1,808,580
Accounts receivable	4,722	24,756
Promises to give	90,228	84,249
Investments	592,744	358,090
Certificates of deposit	104,226	101,990
Prepaid expenses	39,568	35,923
Property and equipment, net of accumulated depreciation	1,656,679	1,662,065
Restricted for permanent endowment:		
Beneficial interests in community trusts	31,075	26,408
Beneficial interest in perpetual trust	<u>161,337</u>	<u>140,948</u>
Total assets	<u><u>\$ 4,626,140</u></u>	<u><u>\$ 4,243,009</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 14,165	\$ 28,946
Accrued expenses	19,015	32,476
Deferred revenue	-	<u>22,775</u>
Total liabilities	<u>\$ 33,180</u>	<u>\$ 84,197</u>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 4,290,320	\$ 3,882,207
With donor restrictions	<u>302,640</u>	<u>276,605</u>
Total net assets	<u><u>\$ 4,592,960</u></u>	<u><u>\$ 4,158,812</u></u>
Total liabilities and net assets	<u><u>\$ 4,626,140</u></u>	<u><u>\$ 4,243,009</u></u>

See notes to financial statements.

**Special Olympics Iowa, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2019**  
**With Comparative Totals for 2018**

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>PUBLIC SUPPORT &amp; REVENUE</b>				
Public Support:				
Contributions and sponsorships	\$ 688,362	\$ 90,228	\$ 778,590	\$ 839,227
In-kind contributions	1,492,147	-	1,492,147	1,493,812
Statewide partner sponsorships	255,000	-	255,000	175,000
Grants and appropriations	476,763	-	476,763	237,500
Special events	177,398	-	177,398	179,723
Fundraising	1,640,201	-	1,640,201	1,366,792
	<u>4,729,871</u>	<u>90,228</u>	<u>4,820,099</u>	<u>4,292,054</u>
Revenue:				
Program revenues	93,782	-	93,782	147,165
Investment income	92,191	-	92,191	(2,560)
Change in beneficial interests	-	35,616	35,616	(16,496)
Loss on sale of assets	-	-	-	(1,000)
	<u>185,973</u>	<u>35,616</u>	<u>221,589</u>	<u>127,109</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	15,560	(15,560)	-	-
Satisfaction of time restrictions	84,249	(84,249)	-	-
	<u>99,809</u>	<u>(99,809)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>5,015,653</u>	 <u>26,035</u>	 <u>5,041,688</u>	 <u>4,419,163</u>
<b>EXPENSES</b>				
Program services:				
Games and Competition	2,799,730	-	2,799,730	2,868,490
Challenge Days	103,900	-	103,900	73,988
Healthy Athletes	114,339	-	114,339	68,380
Unified Champion Schools®	774,130	-	774,130	489,521
Athlete Leadership	49,152	-	49,152	42,114
Young Athlete Play Days	97,996	-	97,996	82,864
Total program services	<u>3,939,247</u>	<u>-</u>	<u>3,939,247</u>	<u>3,625,357</u>
Supporting services:				
Fundraising	520,006	-	520,006	733,338
Management and general	87,446	-	87,446	132,546
Total supporting services	<u>607,452</u>	<u>-</u>	<u>607,452</u>	<u>865,884</u>
Cost of direct benefits to donors	<u>60,841</u>	<u>-</u>	<u>60,841</u>	<u>23,073</u>
Total expenses	<u>4,607,540</u>	<u>-</u>	<u>4,607,540</u>	<u>4,514,314</u>
<b>CHANGE IN NET ASSETS</b>	<b>408,113</b>	<b>26,035</b>	<b>434,148</b>	<b>(95,151)</b>
NET ASSETS, beginning of year	<u>3,882,207</u>	<u>276,605</u>	<u>4,158,812</u>	<u>4,253,963</u>
NET ASSETS, end of year	<u>\$ 4,290,320</u>	<u>\$ 302,640</u>	<u>\$ 4,592,960</u>	<u>\$ 4,158,812</u>

See notes to financial statements.

**Special Olympics Iowa, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**  
**With Comparative Totals for 2018**

	2019											2018	
	Program Services						Supporting Services			Cost of Direct Benefit to Donor		Total Expenses	Total Expenses
	Games and Competitor	Challenge Days	Healthy Athletes	Unified Champion Schools®	Athlete Leadership	Young Athlete Play Days	Total	Fundraising	Management and General	Total	Total Expenses	Total Expenses	
Salaries and benefits	\$ 442,987	\$ 52,177	\$ 52,177	\$ 328,157	\$ 24,339	\$ 37,748	\$ 937,585	\$ 219,423	\$ 56,412	\$ 275,835	\$ -	\$ 1,213,420	\$ 1,127,393
Events and games supplies	701,533	24,845	30,016	297,701	13,673	39,950	1,107,718	-	-	-	-	1,107,718	1,031,864
Fundraising	-	-	-	-	-	-	-	207,998	-	207,998	-	207,998	322,079
Special events	-	-	-	-	-	-	-	5,211	-	5,211	60,841	66,052	15,772
In-kind services and facilities	1,460,351	3,362	8,630	783	-	3,196	1,476,322	15,825	-	15,825	-	1,492,147	1,493,812
Public education and awareness	36,290	4,132	4,132	25,914	1,957	3,005	75,430	-	-	-	-	75,430	102,081
SOI accreditation fees	21,206	2,414	2,414	15,143	1,144	1,756	44,077	-	-	-	-	44,077	40,873
Supplies and travel	16,485	3,207	3,207	20,113	1,519	2,332	46,863	13,521	5,865	19,386	-	66,249	72,545
Office and occupancy	45,540	5,185	5,185	32,520	2,456	3,771	94,657	21,862	9,482	31,344	-	126,001	92,050
Service and professional fees	34,571	3,936	3,936	24,687	1,865	2,863	71,858	16,596	7,198	23,794	-	95,652	94,345
Insurance	14,413	1,641	1,641	10,293	777	1,193	29,958	6,919	3,002	9,921	-	39,879	32,301
Depreciation and amortization	26,354	3,001	3,001	18,819	1,422	2,182	54,779	12,651	5,487	18,138	-	72,917	89,199
<b>Total expenses</b>	<b>\$ 2,799,730</b>	<b>\$ 103,900</b>	<b>\$ 114,339</b>	<b>\$ 774,130</b>	<b>\$ 49,152</b>	<b>\$ 97,996</b>	<b>\$ 3,939,247</b>	<b>\$ 520,006</b>	<b>\$ 87,446</b>	<b>\$ 607,452</b>	<b>\$ 60,841</b>	<b>\$ 4,607,540</b>	<b>\$ 4,514,314</b>

**Special Olympics Iowa, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**  
**With Comparative Totals for 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 434,148	\$ (95,151)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	72,917	89,199
Loss on disposal of asset	-	1,000
Net realized and unrealized (gain) loss on investments and certificates of deposit	(108,973)	26,922
Outside endowment contributions to beneficial interest in community trusts	(986)	(1,267)
Change in value of beneficial interests in community trusts	(11,463)	2,541
Change in value of beneficial interest in perpetual trust	(24,153)	13,955
(Increase) decrease in assets; (decrease) increase in liabilities:		
Accounts receivable	20,034	(13,889)
Promises to give	(5,979)	53,239
Prepaid expenses	(3,645)	(12,734)
Accounts payable	(14,781)	5,121
Accrued expenses	(13,461)	9,272
Deferred revenue	(22,775)	(58,686)
Net cash provided by operating activities	320,883	19,522
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	514,164	77,933
Purchase of investments	(643,259)	(82,535)
Proceeds from sale of certificates of deposit	-	20,200
Purchase of certificates of deposit	(2,236)	(20,200)
Proceeds from sale of beneficial interests in community trusts	7,782	1,315
Proceeds from sale of beneficial interest in perpetual trust	7,178	8,153
Purchase of property and equipment	(67,531)	(48,750)
Net cash (used in) investing activities	(183,902)	(43,884)
Net increase (decrease) in cash and cash equivalents	\$ 136,981	\$ (24,362)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,808,580	1,832,942
End of year	\$ 1,945,561	\$ 1,808,580

See notes to financial statements.



**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Special Olympics Iowa, Inc. (“the Organization”) 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® 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.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization 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.

**Revenue Recognition**

Contributions are recognized when cash, other assets, or an unconditional promise to give is received.

The Organization also receives program revenue from registrations, concessions, and souvenir sales. The Organization applies the five-step revenue model under FASB ASC 606 to determine when revenue is earned and recognized.

**Promises to Give**

The Organization 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, 2019 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**

The Organization 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.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. These contributions for 2019 of \$1,145,579 are reflected in the financial statements at the estimated fair market value at the time the service is performed.

**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**

The Organization 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.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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**

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

Program costs	\$ 32,770
Fundraising costs	<u>36,806</u>
	<u><u>\$ 69,576</u></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.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Organization 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 jurisdictions where they are required to do so. The Organization files a form 990 tax return in the U.S. federal jurisdiction.

**Changes in Accounting Principle**

On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606), *Revenue from Contracts with Customers* (“ASU No. 2014-09 ” or “Topic 606”), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification (“ASC” Topic 605, *Revenue Recognition* (“Topic 605”) and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605.

On January 1, 2019, the Organization also adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to contributions received and made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**Recently Issued Accounting Pronouncements**

**Leases** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance will require all leases to be recorded as assets and liabilities on the balance sheet. This update requires capitalization of “right-of-use assets” and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In April 2020, the FASB issued an exposure draft of a proposed ASU which defers the effective date making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

**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.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**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 as of December 31, 2019:

Cash and cash equivalents	\$ 1,945,561
Accounts receivable	4,722
Promises to give	90,228
Investments	592,744
Certificates of deposit	104,226
	<b>\$ 2,737,481</b>

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.

**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Organization’s investments are stated on the statement of financial position at fair value at December 31, 2019, 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	\$ -	\$ 104,226	\$ -	\$ 104,226
Mutual funds:				
U.S. equity funds	464,455	-	-	464,455
International equity funds	86,229	-	-	86,229
Fixed income funds	42,060	-	-	42,060
Total	\$ 592,744	\$ 104,226	\$ -	\$ 696,970
Beneficial interests in community trusts	\$ -	\$ -	\$ 31,075	\$ 31,075
Beneficial interest in perpetual trust	-	-	161,337	161,337
	\$ -	\$ -	\$ 192,412	\$ 192,412

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.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)**

*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.

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

	<b>Beneficial Interests in Community Foundations</b>	<b>Beneficial Interest in Perpetual Trust</b>
Beginning balance	\$ 26,408	\$ 140,948
Contributions	986	54
Change in value of beneficial interests	11,463	24,153
Less distributions	7,782	3,818
Ending balance	<b>\$ 31,075</b>	<b>\$ 161,337</b>

**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 were \$13,766 and \$17,309, as of December 31, 2019.

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.”

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 6 – ENDOWMENT FUNDS**

The Organization'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**

The Organization 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 the Organization.

**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 the Organization.

**Interpretation of Relevant Law**

The Organization 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, the Organization 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 the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization 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) the Organization's spending policy for endowment funds, and (7) the Organization'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.



**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 6 – ENDOWMENT FUNDS (CONTINUED)**

**Endowment Reconciliation**

Changes in endowment net assets as of December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 167,356	\$ 167,356
Contributions	-	1,040	1,040
Change in value of beneficial interests	-	35,616	35,616
Appropriated expenditures	-	(11,600)	(11,600)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 192,412</u>	<u>\$ 192,412</u>

**NOTE 7 – PROPERTY AND EQUIPMENT**

The following is a summary of the property and equipment at December 31, 2019:

Land	\$ 230,012
Buildings	1,943,258
Furniture	41,155
Equipment	208,884
Vehicles	217,064
Total cost	\$ 2,640,373
Less accumulated depreciation	(983,694)
Net property and equipment	<u>\$ 1,656,679</u>

**NOTE 8 – OPERATING LEASES**

The Organization leases equipment from a third party under a noncancellable operating lease.

Future minimum rental payments required under operating leases at December 31, 2019 are as follows:

<u>Years</u>	
2020	\$ 1,057
2021	1,057
2022	1,057
	<u>\$ 3,171</u>

Rent expense for the year ended December 31, 2019 was \$47,172.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 9 – NET ASSETS**

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

Purpose restricted:	
Young Athletes Program	<u>\$ 20,000</u>
Time restricted:	
Promises to give	<u>\$ 90,228</u>
Donor restricted endowments	<u>\$ 192,412</u>
Total net assets with donor restrictions	<u><u>\$ 302,640</u></u>

**NOTE 10 – SPECIAL EVENTS**

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

Special event revenue	\$ 177,398
Less: Costs of direct benefits to donors	60,841
Expenses related to promoting and conducting the event	<u>5,211</u>
Net revenue from special events	<u><u>\$ 111,346</u></u>

**NOTE 11 – PENSION PLAN**

The Organization 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 \$26,727 for the year ended December 31, 2019.

**NOTE 12 – COMPARATIVE TOTALS**

The amounts shown for 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles.

**NOTE 13 – RECLASSIFICATION**

Certain amounts in the statements of activities and functional expenses for the year ended December 31, 2018 have been reclassified between special events and fundraising revenues and expenses to conform with the 2019 presentation. Such reclassifications have no effect on the reported change in total net assets.

**Special Olympics Iowa, Inc.**  
**Notes to Financial Statements**

**NOTE 14 – AFFILIATE TRANSACTIONS**

The Organization is accredited by Special Olympics, Inc. (SOI) to conduct Special Olympic activities within the state of Iowa. The Organization paid \$44,078 in accreditation fees to SOI during the year ended December 31, 2019.

The Organization has an agreement with SOI for cooperative national fundraising projects. These projects earned \$395,378 during the year ended December 31, 2019, of which the Organization received \$233,946. The remaining \$161,432 was retained by SOI as payment for services rendered.

The Organization was the recipient of a grant from SOI for Unified Champion Schools from which they earned \$323,863 during the year ended December 31, 2019.

**NOTE 15 – SUBSEQUENT EVENTS – DATE OF MANAGEMENT EVALUATION**

The Organization has evaluated subsequent events through July 16, 2020, the date which financial statements were available to be issued. The global spread of the coronavirus disease (COVID-19) subsequent to December 31, 2019 has resulted in economic uncertainties, including mandated closures or the reduction of operations for businesses in many industries. The Organization has reduced some of its programs in order to comply with government mandates and help slow the spread of the disease. While the potential economic impact of the disease on the Organization is not known at this time, the Organization does not anticipate any immediate adverse financial impacts. On April 15, 2020, the Organization applied for and obtained a Paycheck Protection Program (PPP) loan administered by the U.S. Small Business Administration for \$244,295. The loan bears interest at 1.00%, is due April 15, 2022, and may be forgiven if the funds are used for payroll costs, rent, utilities, and interest in accordance with program guidance.