

Special Olympics Iowa, Inc.

Financial Report

December 31, 2020

Preliminary Draft

Special Olympics Iowa, Inc.
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Preliminary Draft

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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we have expressed an unmodified opinion on those audited financial statements in our report dated July 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Urbandale, Iowa
 , 2021

Special Olympics Iowa, Inc.
Statement of Financial Position
December 31, 2020
With Comparative Totals for 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,372,302	\$ 1,945,561
Accounts receivable	80,225	4,722
Promises to give	99,839	90,228
Investments	1,016,217	592,744
Certificates of deposit	210,218	104,226
Prepaid expenses	35,814	39,568
Property and equipment, net of accumulated depreciation	1,628,719	1,656,679
Restricted for permanent endowment		
Beneficial interests in community trusts	34,765	31,075
Beneficial interest in perpetual trust	167,575	161,337
	\$ 4,645,674	\$ 4,626,140
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,378	\$ 14,165
Accrued expenses	20,135	19,015
Refundable advance	10,826	-
	33,339	33,180
 Net assets		
Without donor restrictions	4,295,156	4,290,320
With donor restrictions	317,179	302,640
Total net assets	4,612,335	4,592,960
	\$ 4,645,674	\$ 4,626,140

See notes to financial statements.

Special Olympics Iowa, Inc.
Statement of Activities
Year Ended December 31, 2020
With Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue				
Public support				
Contributions and sponsorships	\$ 503,785	\$ 101,352	\$ 605,137	\$ 778,590
In-kind contributions	312,650	-	312,650	1,492,147
Statewide partner sponsorships	235,000	-	235,000	255,000
Grants and appropriations	619,343	-	619,343	476,763
Paycheck Protection Program proceeds	244,295	-	244,295	-
Special events	242,575	-	242,575	177,398
Fundraising	119,523	-	119,523	1,640,201
	<u>2,277,171</u>	<u>101,352</u>	<u>2,378,523</u>	<u>4,820,099</u>
Revenue				
Program revenues	20,271	-	20,271	93,782
Investment income	146,899	-	146,899	92,191
Change in beneficial interests	-	19,776	19,776	35,616
	<u>167,170</u>	<u>19,776</u>	<u>186,946</u>	<u>221,589</u>
Net assets released from restrictions				
Satisfaction of purpose restrictions	16,361	(16,361)	-	-
Satisfaction of time restrictions	90,228	(90,228)	-	-
	<u>106,589</u>	<u>(106,589)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,550,930</u>	<u>14,539</u>	<u>2,565,469</u>	<u>5,041,688</u>
Expenses				
Program services				
Games and Competition	1,159,717	-	1,159,717	2,799,730
Motor Activity Training Program	66,855	-	66,855	103,900
Healthy Athletes	125,049	-	125,049	114,339
Unified Champion Schools®	680,378	-	680,378	774,130
Athlete Leadership	44,735	-	44,735	49,152
Young Athlete Play Days	48,973	-	48,973	97,996
Total program services	<u>2,125,707</u>	<u>-</u>	<u>2,125,707</u>	<u>3,939,247</u>
Supporting services				
Fundraising	326,493	-	326,493	520,006
Management and general	87,358	-	87,358	87,446
Total supporting services	<u>413,851</u>	<u>-</u>	<u>413,851</u>	<u>607,452</u>
Cost of direct benefits to donors	6,536	-	6,536	60,841
Total expenses	<u>2,546,094</u>	<u>-</u>	<u>2,546,094</u>	<u>4,607,540</u>
Change in net assets	4,836	14,539	19,375	434,148
Net assets, beginning of year	<u>4,290,320</u>	<u>302,640</u>	<u>4,592,960</u>	<u>4,158,812</u>
Net assets, end of year	<u>\$ 4,295,156</u>	<u>\$ 317,179</u>	<u>\$ 4,612,335</u>	<u>\$ 4,592,960</u>

See notes to financial statements.

Special Olympics Iowa, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020
With Comparative Totals for 2019

	2020											2019	
	Program Services						Supporting Services			Cost of Direct Benefit to Donor	Total Expenses	Total Expenses	
	Games and Competition	Motor Activity Training Program	Healthy Athletes	Unified Champion Schools®	Athlete Leadership	Young Athlete Play Days	Total	Fundraising	Management and General				Total
Salaries and benefits	\$ 442,498	\$ 45,844	\$ 76,140	\$ 321,934	\$ 29,694	\$ 33,789	\$ 949,899	\$ 188,878	\$ 65,570	\$ 254,448	\$ -	\$ 1,204,347	\$ 1,213,420
Events and games supplies	259,303	4,463	22,410	245,923	3,484	2,528	538,111	-	-	-	-	538,111	1,107,718
Fundraising	-	-	-	-	-	-	-	37,481	-	37,481	-	37,481	207,998
Special events	-	-	-	-	-	-	-	33,035	-	33,035	6,536	39,571	66,052
In-kind services and facilities	292,236	-	-	-	-	-	292,236	18,674	-	18,674	-	310,910	1,492,147
Public education and awareness	21,190	2,117	3,389	14,391	1,438	1,610	44,135	-	-	-	-	44,135	75,430
SOI accreditation fees	16,569	1,655	2,650	11,253	1,438	1,259	34,824	-	-	-	-	34,824	44,077
Supplies and travel	3,360	336	537	2,282	228	823	7,066	1,271	578	1,849	-	8,915	66,249
Office and occupancy	50,058	4,999	8,005	33,996	3,397	3,803	104,258	18,950	8,402	27,352	-	131,610	126,001
Service and professional fees	25,733	2,570	4,118	17,477	1,746	1,955	53,599	9,742	4,424	14,166	-	67,765	95,652
Insurance	15,637	1,562	2,501	10,620	1,061	1,188	32,569	5,919	2,688	8,607	-	41,176	39,879
Depreciation and amortization	33,133	3,309	5,299	22,502	2,249	2,518	69,010	12,543	5,696	18,239	-	87,249	72,917
Total expenses	\$ 1,159,717	\$ 66,855	\$ 125,049	\$ 680,378	\$ 44,735	\$ 48,973	\$ 2,125,707	\$ 326,493	\$ 87,358	\$ 413,851	\$ 6,536	\$ 2,546,094	\$ 4,607,540

See notes to financial statements.

Special Olympics Iowa, Inc.
Statement of Cash Flows
Year Ended December 31, 2020
With Comparative Totals for 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 19,375	\$ 434,148
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization expense	87,249	72,917
Loss on disposal of asset	-	-
Net realized and unrealized (gain) on investments and certificates of deposit	(135,399)	(108,973)
Outside endowment contributions to beneficial interest in community trusts	(1,382)	(986)
Outside endowment contributions to beneficial interest in perpetual trust	(130)	-
Change in value of beneficial interests in community trusts	(3,540)	(11,463)
Change in value of beneficial interest in perpetual trust	(16,236)	(24,153)
(Increase) decrease in assets; (decrease) increase in liabilities		
Accounts receivable	(75,503)	20,034
Promises to give	(9,611)	(5,979)
Prepaid expenses	3,754	(3,645)
Accounts payable	(11,787)	(14,781)
Accrued expenses	1,120	(13,461)
Deferred revenue	-	(22,775)
Refundable advance	10,826	-
Net cash provided by (used in) operating activities	(131,264)	320,883
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,044	514,164
Purchase of investments	(290,118)	(643,259)
Proceeds from sale of certificates of deposit	-	-
Purchase of certificates of deposit	(105,992)	(2,236)
Distribution from beneficial interests in community trusts	1,232	7,782
Distribution from beneficial interest in perpetual trust	10,128	7,178
Purchase of property and equipment	(59,289)	(67,531)
Net cash (used in) investing activities	(441,995)	(183,902)
Net increase (decrease) in cash and cash equivalents	\$ (573,259)	\$ 136,981
Cash and Cash Equivalents		
Beginning of year	1,945,561	1,808,580
End of year	\$ 1,372,302	\$ 1,945,561

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.

Comparative Totals

The amounts shown for 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and are not intended to present all information necessary for a fair presentation in conformity with U.S. generally accepted accounting principles.

Programs

Games and Competition – The Organization provides Olympic-style training and competition in 23 different sports throughout the year for individuals with intellectual disabilities.

Motor Activity Training Program – Motor Activity Training Program 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.

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, 2020 were expected to be collected within the next year; therefore, there is no unamortized discount as cost represents net realizable value.

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.

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 balances of both accounts are being accounted for as beneficial interests and are valued at the fair value of the underlying assets. The balances of the beneficial interests were \$14,301 and \$20,464 as of December 31, 2020.

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."

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 those resources be maintained in perpetuity.

Special Olympics Iowa, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Organization follows Financial Accounting Standards Board Topic 958-605, *Revenue Recognition for Not-for-Profit Entities*, in accounting for its Paycheck Protection Program (PPP) loan and Employee Retention Credits (ERC). The PPP loan and ERC are effectively accounted for as conditional grants (See Note 12).

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 2020 of \$261,443 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.

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.

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)

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	\$ 17,858
Fundraising costs	17,255
	<u>\$ 35,113</u>

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.

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.

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 would require capitalization of the "right to use" an asset 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 June of 2020, the FASB issued ASU No. 2020-05 which defers the effective date making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Special Olympics Iowa, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management of the Organization has evaluated subsequent events through [REDACTED], 2020, the date the financial statements were available to be issued.

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

The Organization 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, The Organization 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.

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, 2020:

Cash and cash equivalents	\$ 1,372,302
Accounts receivable	80,225
Promises to give	99,839
Investments	1,016,217
Certificates of deposit	210,218
	<u>\$ 2,778,801</u>

Additional assets the Organization expects to have available for general expenditures include annual distributions from the Organization's beneficial interest in community and perpetual trusts.

Special Olympics Iowa, Inc.
Notes to Financial Statements

NOTE 4 – FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follow:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
 Level 2: Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
 Level 3: Inputs are unobservable inputs based on the organization's own assumptions used to measure assets and liabilities at fair value.

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 210,218	\$ -	\$ 210,218
Mutual funds				
U.S. equity funds	681,829	-	-	681,829
International equity funds	154,073	-	-	154,073
Fixed income funds	180,315	-	-	180,315
Total	<u>\$ 1,016,217</u>	<u>\$ 210,218</u>	<u>\$ -</u>	<u>\$ 1,226,435</u>
Beneficial interests in community trusts	\$ -	\$ -	\$ 34,765	\$ 34,765
Beneficial interest in perpetual trust	-	-	167,575	167,575
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,340</u>	<u>\$ 202,340</u>

Special Olympics Iowa, Inc.
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
	<u> </u>	<u> </u>
Beginning balance	\$ 31,075	\$ 161,337
Contributions	1,382	130
Change in value of beneficial interests	3,540	16,236
Less distributions and administrative fees	1,232	10,128
Ending balance	<u>\$ 34,765</u>	<u>\$ 167,575</u>

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of the property and equipment at December 31, 2020:

Land	\$ 230,012
Buildings	1,943,258
Furniture	41,155
Equipment	243,401
Vehicles	217,064
Total cost	<u>2,674,890</u>
Less accumulated depreciation	<u>(1,046,171)</u>
Net property and equipment	<u>\$ 1,628,719</u>

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.

Special Olympics Iowa, Inc.
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 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.

Endowment Reconciliation

Changes in endowment net assets as of December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 192,412	\$ 192,412
Contributions	-	1,512	1,512
Change in value of beneficial interests	-	19,776	19,776
Appropriated expenditures and administrative fees	-	(11,360)	(11,360)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 202,340</u>	<u>\$ 202,340</u>

Special Olympics Iowa, Inc.
Notes to Financial Statements

NOTE 7 – NET ASSETS

Net assets with donor restrictions consist of the following at December 31, 2020:

Purpose restricted	
Young Athletes Program	<u>\$ 15,000</u>
Time restricted	
Promises to give	<u>\$ 99,839</u>
Donor restricted endowments	<u>\$ 202,340</u>
Total net assets with donor restrictions	<u><u>\$ 317,179</u></u>

NOTE 8 – SPECIAL EVENTS

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

Special event revenue	\$ 242,575
Less: Costs of direct benefits to donors	6,536
Expenses related to promoting and conducting the event	<u>33,035</u>
Net revenue from special events	<u><u>\$ 203,004</u></u>

NOTE 9 – 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 4% of eligible compensation. Retirement plan expense was \$33,503 for the year ended December 31, 2020.

Special Olympics Iowa, Inc.
Notes to Financial Statements

NOTE 10 – 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, 2020 are as follows:

<u>Years</u>	
2021	\$ 1,057
2022	<u>1,057</u>
	<u><u>\$ 2,114</u></u>

Rent expense for the year ended December 31, 2020 was \$24,066.

NOTE 11 – AFFILIATE TRANSACTIONS

The Organization is accredited by Special Olympics, Inc. (SOI) to conduct Special Olympic activities within the state of Iowa. The Organization paid \$34,510 in accreditation fees to SOI during the year ended December 31, 2020.

The Organization has an agreement with SOI for cooperative national fundraising projects. These projects earned \$420,285 during the year ended December 31, 2020, of which the Organization received \$247,047. The remaining \$173,238 was retained by SOI as payment for services rendered.

The Organization was the recipient of grants from SOI for various programs from which they earned \$400,994 during the year ended December 31, 2020.

NOTE 12 – CONTINGENCIES

On April 15, 2020, the Organization applied for and obtained a \$244,295 PPP loan, administered by the U.S. Small Business Administration established under the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. Under the terms of the loan, the Organization can apply for and be granted forgiveness for a portion or all of the loan. In order to meet the conditions for forgiveness, the Organization was required to maintain certain employee levels and use the proceeds on eligible expenses including payroll, benefits, rent, and utilities within a specified period. All conditions for forgiveness were met during 2020, and the loan was forgiven by the SBA in November 2020.

The Organization must retain all records relating to the loan for six years from the date of forgiveness and must permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request.

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

NOTE 12 – CONTINGENCIES (CONTINUED)

In March 2021, the Organization applied for Employee Retention Credits (ERC) in the amount of \$80,225 for the year ended December 31, 2020. To qualify for the credit, the Organization must meet certain criteria based on either significant decline in gross receipts or either fully or partially suspended operations by a government order. The credit is based on eligible wages and certain employee benefits paid by the Organization. Timing of receipt of the credit is uncertain and it is possible that the application for the credit may be denied, even though the Organization believes it has met the program's conditions. The credit claim is reflected in accounts receivable on the December 31, 2020 statement of financial position.

NOTE 13 – SUBSEQUENT EVENTS

In January 2021, the Organization applied for and obtained a second PPP loan in the amount of \$264,847, administered by the SBA, established under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act). The loan bears interest at 1.00%, is due in January 2026, and may be forgiven if the funds are used on eligible expenses in accordance with program guidance.

Preliminary Draft