

**SPECIAL OLYMPICS SOUTH DAKOTA, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2019**



**thurman,  
comes,  
foley  
& co., llp**

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certified public accountants  
and consultants

**SPECIAL OLYMPICS SOUTH DAKOTA, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Special Olympics South Dakota, Inc.  
Sioux Falls, South Dakota

We have audited the accompanying financial statements of **SPECIAL OLYMPICS SOUTH DAKOTA, INC.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and functional expenses for the year ended December 31, 2019, and cash flows for the years ended December 31, 2019 and 2018, 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 includes 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 qualified audit opinion.

### **Basis for Qualified Opinion**

As described more fully in Note 13 to the financial statements, the Organization has a number of affiliated delegations located in various cities in South Dakota which are overseen by the state office. The Organization did include the financial position or operating results of 26 out of 27 of these affiliates in the 2019 financial statements and 25 out of 28 in 2018. Because some of the affiliates' financial records were not available for our review we were unable to obtain sufficient appropriate audit evidence about the financial transactions of those affiliates. Consequently, we were unable to determine what adjustments would be necessary to properly incorporate those financial transactions in the Organization's financial statements.

To the Board of Directors  
Special Olympics South Dakota, Inc.  
Sioux Falls, South Dakota  
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### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics South Dakota, Inc. as of December 31, 2019 and 2018, and the changes in its net assets for the year ended December 31, 2019 and its cash flows for the years ended December 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

### **Report on 2018 Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements and we expressed a qualified audit opinion on those audited financial statements in our report dated August 23, 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.

*Thurman Combs Foley & Co LLP*

Sioux Falls, South Dakota  
August 14, 2020

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

## ASSETS

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash on hand and in banks		
Delegation accounts under custodial control	\$ 467,265	\$ 453,607
Other	255,949	142,226
Total	<u>723,214</u>	<u>595,833</u>
Accounts receivable	7,790	12,458
Unconditional promises to give, current portion	261,115	346,333
Inventory	10,674	17,655
Prepaid expenses	5,430	4,897
Total current assets	<u>1,008,223</u>	<u>977,176</u>
<b>ASSETS NOT AVAILABLE FOR CURRENT NEEDS</b>		
Cash in banks	196,367	88,016
<b>PROPERTY AND EQUIPMENT,</b>		
net of accumulated depreciation of		
\$704,157 in 2019 and \$626,875 in 2018	2,927,609	2,994,895
<b>LONG TERM ASSETS</b>		
Unconditional promises to give, long term portion	317,150	288,550
Endowment Fund	462,624	410,112
Investments	118,486	102,237
	<u>898,260</u>	<u>800,899</u>
Total assets	<u>\$ 5,030,459</u>	<u>\$ 4,860,986</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 486,302	\$ 50,812
Accounts payable	19,414	19,460
Accrued expenses	35,561	37,945
Total current liabilities	<u>541,277</u>	<u>108,217</u>
<b>LONG-TERM DEBT,</b>		
net of current maturities	<u>-</u>	486,023
Total liabilities	541,277	594,240
<b>NET ASSETS</b>		
Without Donor Restrictions	3,645,437	3,425,773
With Donor Restrictions	843,745	840,973
Total net assets	<u>4,489,182</u>	<u>4,266,746</u>
Total liabilities and net assets	<u>\$ 5,030,459</u>	<u>\$ 4,860,986</u>

See accompanying notes to financial statements.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			Total	2018
	Without Donor Restrictions	With Donor Restrictions Purpose	Permanent		
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Contributions					
Revenue from delegation accounts	\$ 228	\$ -	\$ -	\$ 228	\$ 269,343
Other cash contributions	649,057	228,970	150	878,177	849,816
In-kind contributions	42,779	-	-	42,779	28,197
Games entry fees	12,225	-	-	12,225	18,784
Special events	920,322	-	-	920,322	926,495
Investment income (loss), net of investment fees	71,848	-	-	71,848	(43,678)
Other income	46,130	-	-	46,130	43,702
Net assets released from restrictions	226,348	(226,348)	-	-	-
Total revenues, gains and other support	1,968,937	2,622	150	1,971,709	2,092,659
<b>EXPENSES</b>					
Program	1,375,361	-	-	1,375,361	1,307,648
Management and general	107,292	-	-	107,292	103,666
Fund raising	266,620	-	-	266,620	291,234
Total expenses	1,749,273	-	-	1,749,273	1,702,548
Change in net assets	219,664	2,622	150	222,436	390,111
<b>NET ASSETS, Beginning of year</b>	<u>3,425,773</u>	<u>498,916</u>	<u>342,057</u>	<u>4,266,746</u>	<u>3,876,635</u>
<b>NET ASSETS, End of year</b>	<u>\$ 3,645,437</u>	<u>\$ 501,538</u>	<u>\$ 342,207</u>	<u>\$ 4,489,182</u>	<u>\$ 4,266,746</u>

See accompanying notes to financial statements.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018 Total	
	Program	Management and General	Fund Raising		Total
Salaries	\$ 390,054	\$ 44,755	\$ 80,275	\$ 515,084	\$ 516,485
Benefits	76,387	10,322	16,516	103,225	98,889
Total salaries and benefits	466,441	55,077	96,791	618,309	615,374
Professionals and consultants	-	22,387	-	22,387	25,531
Supplies	4,156	244	489	4,889	4,028
Telephone	7,769	432	432	8,633	10,267
Postage and shipping	2,225	124	124	2,473	2,162
Occupancy	30,128	4,071	6,514	40,713	37,793
Interest	18,117	2,448	3,917	24,482	34,744
Equipment rental and maintenance	8,352	2,056	2,441	12,849	13,666
Travel, meetings and conferences	1,845	3,560	205	5,610	5,521
Printing and public relations	3,858	227	454	4,539	3,896
Insurance	16,582	2,241	3,585	22,408	23,726
Advertising & promotion	585	-	-	585	530
Games expenses	582,352	-	-	582,352	522,979
Chapter assessment fees	17,039	-	-	17,039	14,954
Special event expenses	-	-	126,059	126,059	137,913
Special event funds distributed to delegations	99,543	-	-	99,543	106,281
Other fundraising expenses	-	-	10,646	10,646	15,693
Depreciation	73,436	8,747	14,963	97,146	99,174
Miscellaneous	-	5,678	-	5,678	2,487
Cost of souvenirs sold and given	42,933	-	-	42,933	25,829
Total other expenses	908,920	52,215	169,829	1,130,964	1,087,174
Total expenses	\$ 1,375,361	\$ 107,292	\$ 266,620	\$ 1,749,273	\$ 1,702,548

See accompanying notes to financial statements.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 222,436	\$ 390,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,146	99,174
Contributions to, distributions from, and earnings/losses of endowment fund	(52,512)	50,363
Realized and unrealized (gains) losses on investments	(16,249)	-
Changes in operating assets and liabilities		
Receivables	4,668	(10,358)
Unconditional promises to give	56,618	60,850
Inventory	6,981	(5,387)
Prepaid expenses	(533)	-
Accounts payable	(46)	(5,219)
Accrued expenses	(2,384)	(527)
	<u>316,125</u>	<u>579,007</u>
Net cash provided by operating activities	316,125	579,007
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(29,860)	(64,509)
Contribution allocated to investments	-	(102,237)
Net cash used by investing activities	<u>(29,860)</u>	<u>(166,746)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	<u>(50,533)</u>	<u>(254,272)</u>
Increase in cash	235,732	157,989
<b>CASH, Beginning of year</b>	<u>683,849</u>	<u>525,860</u>
<b>CASH, End of year</b>	<u><u>\$ 919,581</u></u>	<u><u>\$ 683,849</u></u>

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest totaled \$25,967 and \$34,744 for 2019 and 2018, respectively.

See accompanying notes to financial statements.

**SPECIAL OLYMPICS SOUTH DAKOTA, INC.****NOTES TO FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Organization**

Special Olympics South Dakota, Inc. is a nonprofit corporation organized to provide physical fitness, sports training, athletic competition, and free health screenings for children and adults with intellectual disabilities.

**b. Basis of Presentation**

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations over which the Organization has discretionary control. The Board may designate assets without restrictions for specific operational purposes from time to time. Quasi-endowment designation of net assets are contributions to the Organization for which the donor has not specified a particular purpose and the Board has designated to be placed in the Endowment.
- Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

**c. Use of Estimates**

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

**d. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## e. Accounts Receivable

Accounts receivable are the result of the normal operations of the Organization. Management estimates that the receivables are fully collectible and that no allowance for doubtful accounts is needed at December 31, 2019 and 2018.

## f. Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair market value if contributed to the Organization. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight-line method over estimated lives of five years for vehicles, five years for furnishings and equipment, 15 years for building improvements and 39 years for buildings.

Property and equipment consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 367,613	\$ 367,613
Office equipment	178,271	183,233
Vehicles	193,078	192,191
Buildings and improvements	<u>2,892,804</u>	<u>2,878,733</u>
	3,631,766	3,621,770
Less accumulated depreciation	<u>(704,157)</u>	<u>(626,875)</u>
	<u>\$ 2,927,609</u>	<u>\$ 2,994,895</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$97,146 and \$99,174 respectively.

## g. Inventory

Inventory consists of program and souvenir supplies and is stated at the lower of cost or market value using the first-in, first-out method of accounting.

## h. Revenue Recognition

The Organization recognizes revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). In accordance with ASC 606, the Organization identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## h. Revenue Recognition (continued)

future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Special event revenue is received from fundraising events. Special event receipts are recognized as revenue when received. If the receipt is not conditioned on the event taking place, it is recorded as revenue without donor restrictions on the statement of activities. If the contribution is conditioned on the event taking place, the revenue is recorded as received with donor restrictions until the completion of the event, when it is reflected as net assets released from restrictions on the statement of activities.

Grant revenue is recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, are made.

Program income consists of primarily of game entry fees and is recognized as revenue when the activity occurs,

## i. In-kind Contributions

The Organization records the value of contributed goods or services when there is an objective basis available to measure their value. Contributed materials and equipment are reflected as revenue in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for contributed services, with the exception of office clerical help, computer support, and advertising, as no objective basis is available to measure the value of such services. However, a substantial number of volunteers donated significant amounts of their time to assist in the Organization's program services.

Contributions of materials and equipment for the years ended December 31, 2019 and 2018 totaled \$42,779 and \$28,197, respectively. There were no recorded contributed services for the years ended December 31, 2019 and 2018.

## j. Promises to Give

The Organization uses the allowance method to determine uncollectible promises receivable. Management does not believe an allowance for uncollectible amounts is necessary at December 31, 2019 and 2018 based on historical experience with donors, and accordingly, has made no allowance for doubtful accounts.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**k. Functional Allocation of Expenses**

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Certain costs were allocated among the programs and supporting services benefited based on best estimates by management.

**l. Comparative Amounts**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**m. Fair Value Measurement**

As outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* (ASC) 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

**n. Income Taxes**

The Organization is a tax exempt organization under section 501(c)(3) of the Internal Revenue Code. The Organization paid no income tax for the years ended December 31, 2019 and 2018.

The Organization files a Form 990 information return in the U.S. federal jurisdiction. The Organization has no federal or state tax examinations currently in process.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## n. Income Taxes (continued)

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require recognition in the financial statements.

## o. Reclassifications

Certain items in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## 2. PROMISES TO GIVE

Unconditional promise to give consists of the following:

	<u>2019</u>	<u>2018</u>
Unrestricted - Sustaining		
Partners drive	\$ 273,095	\$ 223,983
Restricted to fund the Unify Center	<u>305,170</u>	<u>410,900</u>
	\$ <u>578,265</u>	\$ <u>634,883</u>
Amounts are due in:		
Less than one year	\$ 261,115	\$ 346,333
One to five years	<u>317,150</u>	<u>288,550</u>
	\$ <u>578,265</u>	\$ <u>634,883</u>

## 3. LEASES

The Organization leases a photocopier under a non-cancelable lease. The minimum non-cancelable lease commitment pursuant to this lease is as follows:

<u>Year ended December 31</u>	
2020	\$ 8,160
2021	8,160
2022	<u>6,800</u>
	\$ <u>23,120</u>

Rental expense pursuant to this lease was \$10,539 and \$9,896 in 2019 and 2018, respectively.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, respectively are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 919,581	\$ 683,849
Accounts receivable	7,790	12,458
Unconditional promises to give	578,265	634,883
Investments	118,486	102,237
Endowment funds	<u>462,624</u>	<u>410,112</u>
Total financial assets	<u>2,086,746</u>	<u>1,843,539</u>
Less: financial assets held to meet donor restrictions		
Purpose restricted net assets	501,538	498,916
Donor restricted endowment funds	<u>342,207</u>	<u>342,057</u>
Total financial assets held to meet donor restrictions	<u>843,745</u>	<u>840,973</u>
Less: financial assets not available within one year		
Board designated net assets	<u>20,000</u>	<u>20,000</u>
Amounts available for general expenditure within one year	\$ <u>1,223,001</u>	\$ <u>982,566</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside in endowment. The board-designated funds are shown above as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Board could appropriate resources from the board-designated funds.

The Organization has a liquidity management policy to structure its financial assets to be available for its general expenditures, liabilities, and as other obligations come due.

## 5. FINANCING ARRANGEMENTS

Long-term debt at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Note payable to First Premier Bank, due in monthly installments of \$6,375 including interest at 5.0% through October 2020, when a balloon of approximately \$446,215 will be due, secured by real estate.	\$ 486,302	\$ 536,835
Less current maturities	<u>(486,302)</u>	<u>( 50,812)</u>
Long-term portion	\$ <u>          -</u>	\$ <u>486,023</u>

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 5. FINANCING ARRANGEMENTS (CONTINUED)

The Organization has begun negotiations with its lender to have its note payable extended for three years with terms comparable to its present terms. Management expects an extension will be agreed to by the lender.

## 6. ACCRUED LEAVE

The Organization provides employees with paid time away from work (PTO) for vacation, illness, and personal time off. PTO accrues at a rate depending on length of service. Upon termination, 50% of PTO hours will be paid to the employee. Accrued leave totaled \$19,455 and \$21,894 at December 31, 2019 and 2018, respectively, and is included in accrued expenses on the statement of financial position.

## 7. PENSION PLAN

The Organization has a 401(k) retirement plan covering all full-time employees with six months of eligible service, as defined by the plan. The plan allows for elective deferrals by employees and discretionary employer contributions that are determined on an annual basis. The Organization has historically contributed five percent of each eligible employee's gross salary to the plan. Employer contributions to this plan for the years ended December 31, 2019 and 2018 were \$25,155 and \$25,854, respectively.

## 8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Purpose restriction		
LEAP funds providing program participation financial assistance to those in need	\$ 14,028	\$ 14,888
Unify Center community appeal	470,258	443,770
2019-2020 event sponsorships	<u>17,252</u>	<u>40,258</u>
Total purpose restriction	501,538	498,916
Donor restricted endowment funds (see Note 10)	<u>342,207</u>	<u>342,057</u>
Total net assets – with donor restrictions	<u>\$ 843,745</u>	<u>\$ 840,973</u>

Net assets with donor restrictions released from restriction were \$226,348 and \$367,556 in 2019 and 2018, respectively. Net assets with donor restrictions were released from restriction due to satisfaction of restrictions.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board designated net assets	\$ 20,000	\$ 20,000
Net assets without donor restrictions	<u>3,625,437</u>	<u>3,405,773</u>
Total net assets without donor restrictions	\$ <u>3,645,437</u>	\$ <u>3,425,773</u>

In 2009, the Organization's board of directors designated \$20,000 of unrestricted net assets be used to start an endowment fund with the South Dakota Community Foundation (See Note 10).

## 10. INVESTMENTS

Investments are stated at fair value at December 31, 2019 and 2018, and consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 13,841	\$ 13,841	\$ 8,495	\$ 8,495
Equities and options	61,325	62,498	40,862	37,248
Exchange-traded closed end funds	<u>39,977</u>	<u>42,147</u>	<u>59,976</u>	<u>56,494</u>
Total investments	\$ <u>115,143</u>	\$ <u>118,486</u>	\$ <u>109,333</u>	\$ <u>102,237</u>

Generally accepted accounting principles provide the definition of fair value for financial reporting, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and require disclosure about the use of fair value measurements. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets.

Increases or decreases in fair values of investments are reflected as investment gain in the financial statements. The components of investment return in the year ending December 31 are summarized as follows:

	<u>2019</u>
Beginning balance	\$ 102,237
Dividends, interest, capital gains	5,678
Unrealized gains	<u>10,571</u>
	\$ <u>118,486</u>

**SPECIAL OLYMPICS SOUTH DAKOTA, INC.****NOTES TO FINANCIAL STATEMENTS****10. INVESTMENTS (CONTINUED)**

As stated in Note 14, the Organization has been consolidating the finances of affiliate organizations with its own. The investment account was a delegation account over which the Organization took financial control during 2018. The exact date of financial control during 2018 could not be conceptually determined, therefore the above activity included only the investment return for the year ending December 31, 2019.

**11. COMMUNITY FOUNDATION FUNDS**

The Organization has endowment funds with the Sioux Falls Area Community Foundation (SFACF) and the South Dakota Community Foundation (SDCF). The Organization's endowment funds consist of donor restricted endowment funds and resources set aside by the Board of Directors (board-designated endowment funds). As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the South Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an Organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 classified as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

As a result of this interpretation, the Organization would consider a fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The funds are not currently underwater.

From time to time, the fair value of endowment funds associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration, (i.e. underwater endowments).

Losses on permanently restricted endowment investments are first used to reduce previous investment income and gains which have not been expended. Any additional losses are shown as a reduction in net assets without donor restrictions. As of December 31, 2019 and 2018, no such reduction in net assets without donor restrictions was necessary.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

## 11. COMMUNITY FOUNDATION FUNDS (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted an investment objective to provide sufficient income to fund programs as established by individual donors or by the Organization; to provide income for such purposes as the Organization may require; to provide for growth of the principal to offset inflation; and to allow for increasing level of distributions in the future.

The market value of the community foundation funds as of December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Donor restricted contributions	\$ 342,207	\$ 342,057
Board designated funds	20,000	20,000
Retained investment earnings, net of distributions	<u>100,417</u>	<u>48,055</u>
	<u>\$ 462,624</u>	<u>\$ 410,112</u>

Activity in the community foundation funds for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of the year	\$ 410,112	\$ 460,475
Contributions/additions	150	-
Investment income (loss)	56,235	( 26,858)
Investment fees	( 3,873)	( 4,037)
Distributions to SOSD	<u>-</u>	<u>( 19,468)</u>
Balance, end of year	<u>\$ 462,624</u>	<u>\$ 410,112</u>

The fund held by the SFACF is an agency fund. SFACF has variance power over the fund meaning they have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the SFACF Board of Trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

The fund held by SDCF is also an agency fund and follows similar restrictions. Annual distributions to the Organization from this fund are limited to 5% of the average fair market value of the total endowment.

**SPECIAL OLYMPICS SOUTH DAKOTA, INC.****NOTES TO FINANCIAL STATEMENTS****12. SUPPORTING SERVICES**

Management and general expenses include expenses that are not directly related to specific programs. During 2019, management and general expenses were \$107,292 which represents 5 percent of revenues, gains, and other support. Fund-raising expenses were \$266,620 during 2019, representing 14 percent of revenues, gains and other support. Together, fund-raising and management and general expenses represent 19 percent of revenues, gains, and other support in 2019.

For the year ended December 31, 2018, management and general expenses were 5 percent of revenues, gains and other support. Fund raising expenses were 14 percent of revenues, gains and other support. Together they represented 19 percent of revenues, gains and other support.

**13. RELATED PARTY TRANSACTIONS**

The Organization is accredited by Special Olympics International (SOI) to conduct Special Olympics activities within the state of South Dakota. During 2019 and 2018 the Organization received contributions from SOI national fundraisers of \$169,517 and \$149,194 respectively. Chapter fees paid to SOI by the Organization for the years ended December 31, 2019 and 2018 were \$17,039 and \$14,954, respectively.

**14. DELEGATION BANK ACCOUNTS**

The Organization has a number of affiliated delegations located in various cities in South Dakota. Prior to 2016, these delegations operated in a primarily independent manner from the Organization as it related to the affiliates' finances. Accordingly, the Organization did not include the financial position or operating results of these affiliates in its audited financial statements. During 2016 through 2019, the Organization worked toward consolidating the affiliates' finances with its own and combining the financial position and operating results of the affiliates in the Organization's financial statements. Initial bank account balances of the delegations at the time financial control was taken by the Organization are shown in the statement of activities as cash contributions from delegations. At December 31, 2019, the Organization had financial control over all but one known affiliated delegation.

**15. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS****Adopted Accounting Standards**

Effective February 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs, which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

**15. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new standard did not result in a material impact on the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

Effective January 1, 2019, the Organization has adopted the accounting guidance in FASB Account Standards Update (ASU) 2016-18, *Restricted Cash (Topic 230): Statement of Cash Flows*. ASU 2016-18 requires organizations to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash should be included with cash when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of the standard had no effect on previously reported net assets.

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08 Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoption of this new guidance did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to retained earnings at the date of adoption under the modified retrospective method.

**Accounting Standards Not Yet Adopted**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal years beginning after December 15, 2021, and interim periods beginning after December 15, 2022 with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact, if any, it may have on its financial statements

## SPECIAL OLYMPICS SOUTH DAKOTA, INC.

## NOTES TO FINANCIAL STATEMENTS

**16. EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 14, 2020, the date which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the cancellation of events and fundraisers, and the effect on employees and vendors, all of which are uncertain and cannot be predicted. At this date, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

In April 2020, the Organization received loan proceeds in the amount of \$111,237 under the Paycheck Protection Program (PPP). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security Act (CARES), provides loans to qualifying businesses. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The Organization intends to use the proceeds for purposes consistent with the PPP and management believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan although that cannot presently be assured. Should any of the loan not be forgiven, the unforgiven portion is payable over two years at an interest rate of 1%, with deferral of payments for the first six months.