

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2020

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 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 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 15 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 both the 2020 and 2019 financial statements. 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, 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 2019 Summarized Comparative Information

We have previously audited the Organization's 2019 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Thurman, Comas, Foley & Co., LLP

Sioux Falls, South Dakota
October 28, 2021

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash on hand and in banks		
Delegation accounts under custodial control	\$ 612,125	\$ 467,265
Other	526,606	255,949
Total	<u>1,138,731</u>	<u>723,214</u>
Accounts receivable	18,514	7,790
Unconditional promises to give, current portion	137,300	261,115
Inventory	10,674	10,674
Prepaid expenses	5,430	5,430
Total current assets	<u>1,310,649</u>	<u>1,008,223</u>
ASSETS NOT AVAILABLE FOR CURRENT NEEDS		
Cash in banks	173,873	196,367
PROPERTY AND EQUIPMENT,		
net of accumulated depreciation of		
\$805,549 in 2020 and \$704,157 in 2019	2,871,478	2,927,609
LONG TERM ASSETS		
Unconditional promises to give, long term portion	140,450	317,150
Endowment Fund	527,285	462,624
Investments		
Cash & cash equivalents	17,331	13,841
Equity securities	114,155	62,498
Exchange traded funds	-	42,147
	<u>799,221</u>	<u>898,260</u>
Total assets	<u>\$ 5,155,221</u>	<u>\$ 5,030,459</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 63,574	\$ 486,302
Accounts payable	11,809	19,414
Accrued expenses	29,683	35,561
Total current liabilities	<u>105,066</u>	<u>541,277</u>
LONG-TERM DEBT,		
net of current maturities	<u>223,872</u>	<u>-</u>
Total liabilities	328,938	541,277
NET ASSETS		
Without Donor Restrictions	4,152,702	3,645,437
With Donor Restrictions	673,581	843,745
Total net assets	<u>4,826,283</u>	<u>4,489,182</u>
Total liabilities and net assets	<u>\$ 5,155,221</u>	<u>\$ 5,030,459</u>

See accompanying notes to financial statements.

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020			Total	2019
	Without Donor Restrictions	With Donor Restrictions Purpose	Permanent		
REVENUES, GAINS AND OTHER SUPPORT					
Contributions					
Revenue from delegation accounts	\$ -	\$ -	\$ -	\$ -	\$ 228
Other cash contributions	684,537	254,590	-	939,127	1,089,728
In-kind contributions	67,668	-	-	67,668	42,779
Games entry fees	340	-	-	340	12,225
Special events	492,145	-	-	492,145	708,771
Investment income (loss), net of investment fees	79,177	-	-	79,177	71,848
Other income	686	-	-	686	46,130
Net assets released from restrictions	424,754	(424,754)	-	-	-
Total revenues, gains and other support	1,749,307	(170,164)	-	1,579,143	1,971,709
EXPENSES					
Program	906,134	-	-	906,134	1,375,361
Management and general	104,741	-	-	104,741	107,292
Fund raising	231,167	-	-	231,167	266,620
Total expenses	1,242,042	-	-	1,242,042	1,749,273
Change in net assets	507,265	(170,164)	-	337,101	222,436
NET ASSETS, Beginning of year	3,645,437	501,538	342,207	\$ 4,489,182	4,266,746
NET ASSETS, End of year	\$ 4,152,702	\$ 331,374	\$ 342,207	\$ 4,826,283	\$ 4,489,182

See accompanying notes to financial statements.

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020			2019 Total	
	Program	Management and General	Fund Raising		Total
Salaries	\$ 402,780	\$ 45,028	\$ 89,519	\$ 537,327	\$ 515,084
Benefits	81,007	10,947	17,515	109,469	103,225
Total salaries and benefits	483,787	55,975	107,034	646,796	618,309
Professionals and consultants	-	23,706	-	23,706	22,387
Supplies	3,613	213	424	4,250	4,889
Telephone	7,312	406	406	8,124	8,633
Postage and shipping	2,388	133	132	2,653	2,473
Occupancy	28,021	3,786	6,059	37,866	40,713
Interest	16,434	2,221	3,553	22,208	24,482
Equipment rental and maintenance	7,341	1,807	2,146	11,294	12,849
Travel, meetings and conferences	1,620	395	180	2,195	5,610
Printing and public relations	1,691	99	199	1,989	4,539
Insurance	17,418	2,354	3,766	23,538	22,408
Advertising & promotion	55	-	-	55	585
Games expenses	204,784	-	-	204,784	604,792
Chapter assessment fees	14,353	-	-	14,353	17,039
Special event expenses	-	-	71,407	71,407	126,059
Special event funds distributed to delegations	33,049	-	-	33,049	192,875
Other fundraising expenses	-	-	20,369	20,369	10,646
Depreciation	77,561	8,839	15,492	101,892	97,146
Miscellaneous	-	4,807	-	4,807	5,678
Cost of souvenirs sold and given	6,707	-	-	6,707	42,933
Total other expenses	422,347	48,766	124,133	595,246	1,246,736
Total expenses	\$ 906,134	\$ 104,741	\$ 231,167	\$ 1,242,042	\$ 1,865,045

See accompanying notes to financial statements.

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 337,101	\$ 222,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,892	97,146
Contributions to, distributions from, and earnings/losses of endowment fund	(64,661)	(52,512)
Realized and unrealized (gains) losses on investments	(13,000)	(16,249)
Changes in operating assets and liabilities		
Receivables	(10,724)	4,668
Unconditional promises to give	300,515	56,618
Inventory	-	6,981
Prepaid expenses	-	(533)
Accounts payable	(7,605)	(46)
Accrued expenses	(5,878)	(2,384)
	<hr/>	<hr/>
Net cash provided by operating activities	637,640	316,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(45,760)	(29,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(198,857)	(50,533)
	<hr/>	<hr/>
Increase in cash	393,023	235,732
CASH, Beginning of year	<hr/>	<hr/>
	919,581	683,849
CASH, End of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,312,604	\$ 919,581

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest totaled \$22,208 and \$25,967 for 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 367,613	\$ 367,613
Office equipment	178,860	178,271
Vehicles	219,227	193,078
Buildings and improvements	<u>2,911,327</u>	<u>2,892,804</u>
	3,677,027	3,631,766
Less accumulated depreciation	<u>(805,549)</u>	<u>(704,157)</u>
	<u>\$ 2,871,478</u>	<u>\$ 2,927,609</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$101,892 and \$97,146 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 future periods. When

SPECIAL OLYMPICS SOUTH DAKOTA, INC.**NOTES TO FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****h. Revenue Recognition (continued)**

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 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, 2020 and 2019 totaled \$67,668 and \$42,779, respectively. There were no recorded contributed services for the years ended December 31, 2020 and 2019.

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, 2020 and 2019 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, 2020, from which the summarized information was derived.

m. Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and temporary cash investments with high credit quality financial institutions. Occasionally the Organization maintains balances in excess of federal insured limits. The Organization believes there is no significant risk with respect to these deposits.

n. 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. The recorded values of accounts receivable, accounts payable and accrued expenses approximate their fair values due to the relatively short maturities of these instruments. None of these instruments are held for trading purposes

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. 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, 2020 and 2019.

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. 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.

p. 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>2020</u>	<u>2019</u>
Unrestricted - Sustaining		
Partners drive	\$ 120,250	\$ 273,095
Restricted to fund the Unify Center	<u>157,500</u>	<u>305,170</u>
	<u>\$ 277,750</u>	<u>\$ 578,265</u>
Amounts are due in:		
Less than one year	\$ 137,300	\$ 261,115
One to five years	<u>140,450</u>	<u>317,150</u>
	<u>\$ 277,750</u>	<u>\$ 578,265</u>

3. LEASES

The Organization leases a photocopier and a postage machine under non-cancelable leases. The minimum non-cancelable lease commitments pursuant to these leases is as follows:

<u>Year ended December 31</u>	
2021	\$ 8,967
2022	8,967
2023	1,486
2024	806
2025	<u>336</u>
	<u>\$ 20,562</u>

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

NOTES TO FINANCIAL STATEMENTS

3. LEASES (CONTINUED)

Rental expense pursuant to these lease was \$9,360 and \$10,539 in 2020 and 2019, respectively.

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, 2020 and 2019, respectively are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 1,312,604	\$ 919,581
Accounts receivable	18,514	7,790
Unconditional promises to give	277,750	578,265
Investments	131,486	118,486
Endowment funds	<u>527,285</u>	<u>462,624</u>
Total financial assets	<u>2,267,639</u>	<u>2,086,746</u>
Less: financial assets held to meet donor restrictions		
Purpose restricted net assets	331,374	501,538
Donor restricted endowment funds	<u>342,207</u>	<u>342,207</u>
Total financial assets held to meet donor restrictions	<u>673,581</u>	<u>843,745</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>\$ 1,574,058</u>	<u>\$ 1,223,001</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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Note payable to First Premier Bank, due in monthly installments of \$6,375 including interest at 5.0% through October 2023, when a balloon of approximately \$105,000 will be due, secured by real estate.	\$ 287,446	\$ -

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

NOTES TO FINANCIAL STATEMENTS

5. FINANCING ARRANGEMENTS (CONTINUED)

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 \$446,000 will be due, secured by real estate.

	-	486,302
Less current maturities	<u>(63,574)</u>	<u>(486,302)</u>
Long-term portion	\$ <u>223,872</u>	\$ _____

Scheduled maturities of long-term debt at December 31, 2020 are as follows:

2021	\$ 63,574
2022	66,826
2023	<u>157,046</u>
	\$ <u>287,446</u>

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 for each of the years ending December 31, 2020 and 2019, 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, 2020 and 2019 were \$25,042 and \$25,155, respectively.

8. RELATED PARTY TRANSACTIONS

The Organization is accredited by Special Olympics International (SOI) to conduct Special Olympics activities within the state of South Dakota. During 2020 and 2019 the Organization received contributions from SOI national fundraisers of \$185,303 and \$169,517 respectively. Chapter fees and Planned Giving paid to SOI by the Organization for the years ended December 31, 2020 and 2019 were \$17,993 and \$17,039, respectively.

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restriction		
LEAP funds providing program participation financial assistance to those in need	\$ 14,028	\$ 14,028
Unify Center community appeal	275,338	470,258
2020-2021 event sponsorships	<u>42,008</u>	<u>17,252</u>
Total purpose restriction	331,374	501,538
Donor restricted endowment funds (see Note 10)	<u>342,207</u>	<u>342,207</u>
Total net assets – with donor restrictions	<u>\$ 673,581</u>	<u>\$ 843,745</u>

Net assets with donor restrictions released from restriction were \$424,754 and \$226,348 in 2020 and 2019, respectively. Net assets with donor restrictions were released from restriction due to satisfaction of restrictions.

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board designated net assets	\$ 20,000	\$ 20,000
Net assets without donor restrictions	<u>4,132,702</u>	<u>3,625,437</u>
Total net assets without donor restrictions	<u>\$ 4,152,702</u>	<u>\$ 3,645,437</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 12).

11. INVESTMENTS

Investments are stated at fair value at December 31, 2020 and 2019, and consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 17,331	\$ 17,331	\$ 13,841	\$ 13,841
Equities and options	104,689	114,155	61,325	62,498
Exchange-traded closed end funds	-	-	<u>39,977</u>	<u>42,147</u>
Total investments	<u>\$ 122,020</u>	<u>\$ 131,486</u>	<u>\$ 115,143</u>	<u>\$ 118,486</u>

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

NOTES TO FINANCIAL STATEMENTS

11. INVESTMENTS (CONTINUED)

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 for the years ending December 31, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 118,486	\$ 102,237
Dividends, interest, capital gains	6,205	5,678
Unrealized gains	<u>6,795</u>	<u>10,571</u>
	<u>\$ 131,486</u>	<u>\$ 118,486</u>

12. 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.

SPECIAL OLYMPICS SOUTH DAKOTA, INC.

NOTES TO FINANCIAL STATEMENTS

12. COMMUNITY FOUNDATION FUNDS (CONTINUED)

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).

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.

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, 2020 and 2019, no such reduction in net assets without donor restrictions was necessary.

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, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Donor restricted contributions	\$ 342,207	\$ 342,207
Board designated funds	20,000	20,000
Retained investment earnings, net of distributions	<u>165,078</u>	<u>100,417</u>
	<u>\$ 527,285</u>	<u>\$ 462,624</u>

Activity in the community foundation funds for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 462,624	\$ 410,112
Contributions/additions	-	150
Investment income (loss)	68,803	56,235
Investment fees	(4,142)	(3,873)
Distributions to SOSD	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 527,285</u>	<u>\$ 462,624</u>

SPECIAL OLYMPICS SOUTH DAKOTA, INC.**NOTES TO FINANCIAL STATEMENTS****12. COMMUNITY FOUNDATION FUNDS (CONTINUED)**

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.

13. SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific programs. During 2020, management and general expenses were \$104,741 which represents 6 percent of revenues, gains, and other support. Fund-raising expenses were \$231,167 during 2020, representing 15 percent of revenues, gains and other support. Together, fund-raising and management and general expenses represent 21 percent of revenues, gains, and other support in 2020.

For the year ended December 31, 2019, 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.

14. GOVERNMENT GRANT

In April 2020, the Organization was granted a loan in the amount of \$111,237 under the First Round Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was to be forgiven to the extent proceeds of the loan were used for eligible expenditures such as payroll and other expense described in the CARES Act. As of December 31, 2020, the Organization has met the conditions and applied for forgiveness of the loan. Loan forgiveness was received February 24, 2021, which was prior to the issuance of the financial statements. As a result, the Organization included \$111,237 in contributions.

15. 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.

SPECIAL OLYMPICS SOUTH DAKOTA, INC.**NOTES TO FINANCIAL STATEMENTS****15. DELEGATION BANK ACCOUNTS (CONTINUED)**

Since 2016, the Organization has 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, 2020, the Organization had financial control over all but one known affiliated delegation.

16. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**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

17. RISKS AND UNCERTAINTIES

In March 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact their operations and financial statements.

18. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 28, 2021, the date which the financial statements were available to be issued.

In January 2021, the Organization received a South Dakota Covid-relief Grant in the amount of \$213,124. In February 2021, the Organization received loan proceeds in the amount of \$111,237 under the Second Round Paycheck Protection Program (PPP).