

SPECIAL OLYMPICS MINNESOTA, INC.
(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2020
with comparative totals for 2019



INDEPENDENT AUDITORS' REPORT

Board of Directors
Special Olympics Minnesota, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of Special Olympics Minnesota, Inc. (the "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.

Auditors' 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 Organization'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 Organization'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 Minnesota, 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 Special Olympics Minnesota, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 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.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
July 21, 2021

SPECIAL OLYMPICS MINNESOTA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,276,001	\$ 744,780
Promises to give receivable	157,644	249,715
Inventory	48,341	106,856
Prepaid expenses	427,023	573,135
TOTAL CURRENT ASSETS	<u>2,909,009</u>	<u>1,674,486</u>
PROPERTY AND EQUIPMENT		
Equipment	1,061,064	925,207
Furniture and fixtures	243,656	243,656
Leasehold improvements	911,031	911,031
TOTAL PROPERTY AND EQUIPMENT	<u>2,215,751</u>	<u>2,079,894</u>
Less accumulated depreciation	<u>(1,223,050)</u>	<u>(1,037,498)</u>
NET PROPERTY AND EQUIPMENT	<u>992,701</u>	<u>1,042,396</u>
OTHER ASSETS		
Investments	3,448,304	3,119,096
Cash restricted for endowment	135,111	-
TOTAL ASSETS	<u>\$ 7,485,125</u>	<u>\$ 5,835,978</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 50,615	\$ 68,791
Accrued expenses	221,803	331,716
TOTAL CURRENT LIABILITIES	<u>272,418</u>	<u>400,507</u>
LONG-TERM LIABILITIES		
Deferred rent	331,144	347,210
Deferred lease incentives	408,874	453,687
Deferred revenue	2,979	3,000
TOTAL LONG-TERM LIABILITIES	<u>742,997</u>	<u>803,897</u>
TOTAL LIABILITIES	<u>1,015,415</u>	<u>1,204,404</u>
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	6,009,347	4,247,322
With donor restrictions	460,363	384,252
TOTAL NET ASSETS	<u>6,469,710</u>	<u>4,631,574</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,485,125</u>	<u>\$ 5,835,978</u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2020 with comparative totals for 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2020</u>	<u>2019</u>
<u>PUBLIC SUPPORT AND REVENUE</u>				
Contributions, gifts and grants	\$ 1,838,100	\$ 135,111	\$ 1,973,211	\$ 2,515,797
PPP grant revenue	539,900	-	539,900	-
Direct marketing	410,204	-	410,204	541,104
In-kind contributions	100,408	-	100,408	292,312
Fundraising events	4,771,382	-	4,771,382	4,900,671
Cause marketing	5,918	-	5,918	4,699
Merchandise sales	18,460	-	18,460	166,680
Investment return (loss)	369,228	-	369,228	454,460
Other revenue	5,804	-	5,804	46,440
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	59,000	(59,000)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>8,118,404</u>	<u>76,111</u>	<u>8,194,515</u>	<u>8,922,163</u>
<u>EXPENSES</u>				
PROGRAM SERVICES	<u>4,184,620</u>	<u>-</u>	<u>4,184,620</u>	<u>6,030,453</u>
SUPPORTING ACTIVITIES				
Management and general	476,253	-	476,253	529,844
Fundraising	1,695,506	-	1,695,506	1,808,623
TOTAL SUPPORTING ACTIVITIES	<u>2,171,759</u>	<u>-</u>	<u>2,171,759</u>	<u>2,338,467</u>
TOTAL EXPENSES	<u>6,356,379</u>	<u>-</u>	<u>6,356,379</u>	<u>8,368,920</u>
CHANGE IN NET ASSETS	1,762,025	76,111	1,838,136	553,243
NET ASSETS, BEGINNING OF YEAR	<u>4,247,322</u>	<u>384,252</u>	<u>4,631,574</u>	<u>4,078,331</u>
NET ASSETS, END OF YEAR	<u>\$ 6,009,347</u>	<u>\$ 460,363</u>	<u>\$ 6,469,710</u>	<u>\$ 4,631,574</u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020 with comparative totals for 2019

	Supporting Activities			Total Supporting Activities	Total 2020	Total 2019
	Program Services	Management and General	Fundraising			
Competitions and training	\$ 308,509	\$ -	\$ -	\$ -	\$ 308,509	\$ 1,582,512
Healthy programs	12,877	-	-	-	12,877	99,350
Athlete leadership programs	8,826	-	-	-	8,826	38,752
Summer sports camps	-	-	-	-	-	1,356
Youth programming	244,162	-	-	-	244,162	345,068
Volunteer services	3,620	-	-	-	3,620	10,726
Sub-program support	30,513	-	-	-	30,513	33,785
Marketing and communications	190,353	-	-	-	190,353	337,676
Conferences, conventions and meetings	37,935	47	98	145	38,080	90,936
Fundraising events	650,653	-	795,244	795,244	1,445,897	1,407,916
Other fundraising expense	36,353	-	44,432	44,432	80,785	198,488
Salaries, taxes and benefits	1,895,974	394,230	539,909	934,139	2,830,113	3,112,815
National organization fees	63,172	8,008	17,795	25,803	88,975	113,507
Professional fees	47,351	6,152	12,238	18,390	65,741	84,591
Occupancy	233,123	34,591	66,695	101,286	334,409	316,878
Office expense	41,729	6,144	57,161	63,305	105,034	139,821
Equipment rental and maintenance	81,673	10,482	22,864	33,346	115,019	118,228
Depreciation	137,258	11,255	37,038	48,293	185,551	189,032
Insurance	42,303	4,747	11,898	16,645	58,948	57,395
In-kind expense	118,202	400	90,106	90,506	208,708	88,812
Miscellaneous	34	197	28	225	259	1,276
Total expenses	\$ 4,184,620	\$ 476,253	\$ 1,695,506	\$ 2,171,759	\$ 6,356,379	\$ 8,368,920

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, 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	\$ 1,838,136	\$ 553,243
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	185,551	189,032
Donated stock	(12,635)	(13,739)
Realized and unrealized (gain) loss on assets	(315,811)	(418,771)
Reinvested interest and dividends	(61,035)	(68,571)
Changes in operating assets and liabilities:		
Promises to give receivable	92,071	(77,058)
Inventory	58,515	(28,027)
Prepaid expenses	146,112	(140,139)
Accounts payable	(18,176)	(13,636)
Accrued expenses	(109,913)	42,045
Deferred revenue	(21)	3,000
Deferred rent	(16,066)	109,050
Deferred lease incentives	<u>(44,813)</u>	<u>(46,482)</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>1,741,915</u>	 <u>89,947</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(451,118)	(917,635)
Proceeds from sale of investments	511,392	866,865
Purchase of property and equipment	<u>(135,857)</u>	<u>(174,296)</u>
 NET CASH FLOWS FROM INVESTING ACTIVITIES	 <u>(75,583)</u>	 <u>(225,066)</u>
 NET INCREASE (DECREASE)	 1,666,332	 (135,119)
 CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	<u>744,780</u>	<u>879,899</u>
 END OF YEAR	 <u>\$ 2,411,112</u>	 <u>\$ 744,780</u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization - Special Olympics Minnesota, Inc. (the Organization) is incorporated under the Minnesota Nonprofit Corporation Act. The Organization offers children and adults with intellectual disabilities year-round sports training and competition. The Organization is founded on the belief that people with intellectual disabilities can, with proper instruction and encouragement, learn, enjoy and benefit from participation in individual and team sports, adapted as necessary to meet the needs of those with intellectual disabilities. Special Olympics Minnesota believes that through sports training and competition, people with intellectual disabilities benefit physically, mentally and socially; families are strengthened; and the community at large, both through participation and observation, is united in understanding people with intellectual disabilities in an environment of equality, respect and acceptance.

Contributions and revenue are primarily derived from individuals and organizations located in Minnesota. This results in a concentration of risk for these activities as well as promises to give receivable.

Description of programs - The Organization currently provides local, regional and state competitions in 17 Olympic-type sports throughout the year, as well as fundraising events, and a variety of health and leadership programming. The more than 8,000 current athletes benefit from the dedication of thousands of volunteer coaches and more than 200 events annually. Through Special Olympics' athletic, health and leadership programs, people with intellectual disabilities transform themselves, their communities and the world.

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

Income tax status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

The Organization has identified its tax status as a tax exempt entity as it's only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Minnesota. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Financial statement presentation - The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly net assets of the organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization’s management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.
- Net Assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions – The Organization receives support in the form of contributions from the following sources: contributions, gifts and grants, direct marketing, in-kind contributions, fundraising events, and cause marketing. The Organization recognizes contributions as revenue when they are received or unconditionally pledged.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs of other barriers.

Contributions received and net investment return (loss) are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed conditions and restrictions are reported as an increase in net assets without donor restrictions if the conditions and restrictions are met in the reporting period in which the contribution is recognized. Contributions received and investment return (loss) that is restricted by the donor or by law is reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the contribution or investment return (loss) is recognized. When a 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.

Revenue recognition – Merchandise sales are earned from the sale of general merchandise. The Organization’s contracts with its customers consist of a single performance obligation to transfer merchandise. The price for merchandise sold is fixed. Revenue is recognized when a performance obligation is satisfied by the transfer of control to the customers at a point in time.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk. Cash and money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents.

Promises to give receivable - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give receivable represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give receivable. No allowance for doubtful amounts has been provided for at December 31, 2020 and 2019, since management of the Organization expects all promises to give receivable to be collected.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, discounted using risk-adjusted interest rates applicable to the years in which the promises are to be received.

Conditional promises to give are recognized when the conditions on which they depend are substantially met which generally involves meeting a barrier to entitlement.

Investments - Investments are reported at fair value. 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. See Note 5 for discussion of fair value measurements.

Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates.

Inventories - Inventories consist of sports supplies, t-shirts, medals, ribbons and household goods which are stated at the lower of cost (first-in, first-out basis) or net realizable value.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Property, equipment and depreciation - Property and equipment are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as an increase in net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as an increase in net assets without donor restrictions.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over estimated useful lives of three to ten years.

Fair value measurement - definition and hierarchy – The Organization utilizes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Fair value measurement - definition and hierarchy (continued) –

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the asset or liability is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for assets and liabilities categorized in Level 3. As further discussed in Note 5, the Organization only has level 1 assets at December 31, 2020 and 2019.

Donated services, materials and assets - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional allocation of expenses - The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited.

For employee costs, such as salary, taxes and employee benefits, the portion of each employee's actual salary and benefits is allocated based on that individual's assignment of time between programs and supportive areas.

For overhead and other shared expenses, each employee's time allocation is weighted equally, and combined to determine an allocation of total full-time equivalent's dedicated to each program and supportive area.

Advertising costs - For the years ended December 31, 2020 and 2019, advertising costs expensed totaled \$98,000 and \$116,000, respectively.

Summarized information - The financial statements include certain prior year summarized information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

New accounting pronouncements - In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* that requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is in the process of assessing the impact this standard will have on its financial statements.

Subsequent events policy - Subsequent events have been evaluated through July 21, 2021 which is the date the financial statements were available to be issued.

(2) Risks and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization have been impacted by the pandemic and have resulted in changes in the Organization's ability to provide services in its program areas. The extent of any future impact of COVID-19 on our programs and operations will depend on certain developments, including the duration and spread of the outbreak, government mandates (e.g. stay at home orders) and tax relief policies, impact on our donors, employees, athletes, and vendors, all of which are uncertain and cannot be predicted. Other financial impacts could occur. Such potential impacts are unknown at this time.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(3) Liquidity and availability

The Organization strives to maintain liquid financial assets sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in designated investment accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing sports and training competitions, health and wellness activities, and unified school inclusion as well as the conduct of supporting administrative and fundraising services undertaken to support those activities to be general expenditures.

The Organization has other assets limited to use for donor-restricted purposes and pledged collateral held in investments. These assets limited to use are not available for general expenditure within the next year and are not reflected in the amounts below.

The following table reflects the Organization's financial assets that are available to meet general expenditures within the next year:

	<u>2020</u>	<u>2019</u>
Available for general expenditures:		
Cash and cash equivalents	\$ 2,276,001	\$ 744,780
Promises to give receivable	157,644	249,715
Investments	3,448,304	3,119,096
Cash restricted for endowment	135,111	-
Total	<u>6,017,060</u>	<u>4,113,591</u>
Less amounts unavailable for general expenditures:		
Investments of unrestricted and donor restricted amounts for team programming	574,565	384,252
Pledged collateral held in investments	1,809,835	998,278
Total	<u>2,384,400</u>	<u>1,382,530</u>
Financial assets available for general expenditure within one year	<u>\$ 3,632,660</u>	<u>\$ 2,731,061</u>

In addition to the financial assets listed, the Organization has a \$1,000,000 line of credit available to meet cash flow needs, if necessary.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Promises to give

Unconditional promises to give at December 31, 2020 and 2019 of \$158,000 and \$250,000, respectively, are receivable within one year and reported as current assets.

Conditional promises to give at December 31, 2020 and 2019 consist of promises to:

	<u>2020</u>	<u>2019</u>
Provide funding to support school and youth activities under the umbrella of "Unified Champion Schools"	\$ 298,000	\$ 183,000
Total	<u>\$ 298,000</u>	<u>\$ 183,000</u>

(5) Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	Fair value measurements at reporting date using			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2020				
Mutual funds	\$ 1,931,026	\$ 1,931,026	\$ -	\$ -
Exchange traded funds	1,455,433	1,455,433	-	-
Money market/other cash	61,845	61,845	-	-
Total assets measured at fair value	<u>\$ 3,448,304</u>	<u>\$ 3,448,304</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2019				
Mutual funds	\$ 1,751,188	\$ 1,751,188	\$ -	\$ -
Exchange traded funds	1,331,830	1,331,830	-	-
Money market/other cash	36,078	36,078	-	-
Total assets measured at fair value	<u>\$ 3,119,096</u>	<u>\$ 3,119,096</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Fair value measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. All assets have been valued using a market approach. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual funds and exchange traded funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Money market: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(6) Line of credit

Subject to the terms of a credit agreement with Bremer Bank, the Organization has available a \$1,000,000 revolving line of credit for working capital on an as needed basis. The line of credit expires August 15, 2022. Interest accrues at an annual rate of 0.50% plus prime rate, with an effective rate of 3.75% at December 31, 2020. At December 31, 2020, investments consisting of mutual funds, exchange traded funds and other cash accounts totaling \$1,810,000 collateralized this lending arrangement. At December 31, 2020 and 2019, there was no outstanding balance on the line of credit. The Organization is subject to certain nonfinancial covenants under this agreement.

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Net assets

The net assets are summarized as follows as of December 31, 2020:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 5,016,646	\$ -	\$ 5,016,646
Net investment in property and equipment	992,701	-	992,701
Restricted for specific purposes:			
Health access	-	322,477	322,477
Swim caps	-	2,775	2,775
Endowment funds	-	135,111	135,111
	<u>\$ 6,009,347</u>	<u>\$ 460,363</u>	<u>\$ 6,469,710</u>

The net assets are summarized as follows as of December 31, 2019:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 3,204,926	\$ -	\$ 3,204,926
Net investment in property and equipment	1,042,396	-	1,042,396
Restricted for specific purposes:			
Health access	-	362,477	362,477
Swim caps	-	2,775	2,775
Subject to the passage of time	-	19,000	19,000
	<u>\$ 4,247,322</u>	<u>\$ 384,252</u>	<u>\$ 4,631,574</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or by the occurrence of other events specified by donors. Net assets released from restrictions for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Purpose restriction accomplished:		
Health access	\$ 40,000	\$ 30,000
Swim caps	-	3,728
Passage of specified time restriction	<u>19,000</u>	<u>50,000</u>
Total restrictions accomplished	<u>\$ 59,000</u>	<u>\$ 83,728</u>

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SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(8) In-kind contributions

The Organization received the following in-kind contributions during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donated materials	\$ 19,949	\$ 237,360
Donated services	80,459	54,952
	<u>\$ 100,408</u>	<u>\$ 292,312</u>

Donated materials include donated equipment and a donation of approximately 11,000 insulated stainless-steel tumblers received in 2019, to be used for fundraising incentives and volunteer recognition.

Donated services included advertising, transportation, umpire services at state competitions and printing of program materials.

The Organization also receives donated services from a substantial amount of unpaid volunteers who assist in the program services of the Organization. During the years ended December 31, 2020 and 2019, 13,000 and 85,000 hours of volunteer time were donated for state competitions. No amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort have not been satisfied.

(9) PPP grant revenue

The Organization applied for and received a forgivable Paycheck Protection Program (PPP) loan of approximately \$540,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act during 2020. The Organization has accounted for the PPP loan as a conditional contribution. Under the terms of the loan, the balance is forgivable to the extent proceeds are used for certain qualified costs during the measurement period and that certain employment levels are maintained. To the extent a portion of the PPP loan does not meet the criteria to be forgiven, such amount will be required to be repaid, including interest at 1% per the terms of the agreement. The Organization had used \$540,000 of the proceeds on qualified costs and has recorded grant revenue on the statement of activities during the year ended December 31, 2020. The Organization submitted a formal request for forgiveness on October 19, 2020 and on November 2, 2020 received notice of legal release for the obligation in the amount of \$540,000 from the Small Business Administration.

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SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(10) Leases

The Organization has an operating lease agreement for office space. The term of the lease is for thirteen years through December 2029. For the first three years, base monthly lease payments range from \$1,100 to \$2,200 plus the Organization's share of property taxes and operating expenses; for the following ten years, base monthly lease payments range from \$12,550 to \$15,520 plus its share of property taxes and operating expenses.

The following is a summary of the minimum future annual lease payments required under this lease at December 31, 2020:

Years Ending December 31,

2021	\$	156,500
2022		160,500
2023		164,500
2024		168,500
2025		172,500
Thereafter		<u>730,200</u>
	\$	<u><u>1,552,700</u></u>

The total lease expense under all leases for the years ended December 31, 2020 and 2019 amounted to \$334,000 and \$315,000, respectively. Lease expense includes \$120,000 and \$118,000 of base rent and \$214,000 and \$197,000 of operating costs in 2020 and 2019, respectively, on the office space.

The office space lease provided an allowance of approximately \$590,000 for the Organization to make leasehold improvements to the space. The allowance has been reported in the Statement of Financial Position as deferred lease incentives in the amount of \$408,874 and \$453,687 as of December 31, 2020 and 2019, respectively. The following is a summary of the annual amortization of the deferred lease incentives which will be reported as a reduction of rent expense:

Years Ending December 31,

2021	\$	45,369
2022		45,369
2023		45,369
2024		45,369
2025		45,369
Thereafter		<u>182,029</u>
	\$	<u><u>408,874</u></u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(11) Affiliated organizations

Special Olympics Minnesota, Inc. is accredited by Special Olympics, Inc. (SOI) to conduct Special Olympics activities in Minnesota. During 2020 and 2019, the Organization received \$400,000 and \$379,000, respectively, from SOI cooperative national fundraising projects and \$335,000 and \$222,000, respectively, from SOI as direct contributions. The Organization paid \$89,000 in 2020 and \$114,000 in 2019 to SOI for program support. As of December 31, 2020 and 2019, \$132,000 and \$138,000, respectively, was due from SOI as a receivable which is reported in promises to give receivable on the Statement of Financial Position.

(12) Retirement plan

The Organization provides a 401(k) profit sharing plan, covering substantially all employees meeting certain age and service requirements. Employees may elect to defer up to 50% of their salary, subject to Internal Revenue Code limits. The Organization may make a discretionary match, as well as a discretionary contribution. The Organization's contributions were \$35,000 and \$37,000 for the years ended December 31, 2020 and 2019, respectively.

(13) Joint costs

The Organization allocates all joint costs associated with salaries and benefits, rent, insurance, depreciation, in-kind, special events, and fundraising to program and fundraising categories. This allocation is based on reviews of specific job descriptions. Costs incurred are allocated based on an analysis of promotional material presented to donors. 45 percent of costs are program-related and 55 percent are allocated to fundraising costs.

The total joint costs are allocated as follows:

	<u>2020</u>	<u>2019</u>
Program services	\$ 687,007	\$ 722,882
Fundraising	839,675	883,522
	<u>\$ 1,526,682</u>	<u>\$ 1,606,404</u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(14) Supplemental disclosure of cash flow information

A reconciliation of cash and cash equivalents – unrestricted and restricted within the statement of financial position that reconciles to the total of the same amounts shown in the statement of cash flows as of December 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Components of cash and cash equivalents		
Cash and cash equivalents	\$ 2,276,001	\$ 744,780
Cash restricted for endowment	135,111	-
	<u>\$ 2,411,112</u>	<u>\$ 744,780</u>

Cash restricted for endowment on the statement of financial position includes restricted cash received with donor imposed restrictions that limits the use of cash for an endowment fund. The cash restricted for the endowment will be deposited by management in the Organization's endowment investment funds once they are set up. Restrictions for these endowment funds require that these funds be maintained in perpetuity.

See Notes to Financial Statements