

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

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2023
with comparative totals for 2022



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Special Olympics Minnesota, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Mayer Hoffman McCann P.C.
An Independent CPA Firm
222 S. Ninth Street, Suite 1000
Minneapolis MN 55402

Phone: 612.339.7811
Fax: 612.339.9845
mhmcpa.com

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

We have previously audited Special Olympics Minnesota, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
July 25, 2024

SPECIAL OLYMPICS MINNESOTA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,653,171	\$ 4,922,375
Promises to give receivable	172,669	204,275
ERC grant receivable	-	665,216
Inventory	39,164	12,546
Prepaid expenses	455,035	691,119
Investments	<u>8,169,319</u>	<u>3,208,466</u>
TOTAL CURRENT ASSETS	<u>10,489,358</u>	<u>9,703,997</u>
PROPERTY AND EQUIPMENT		
Equipment	1,329,016	1,202,131
Furniture and fixtures	368,247	236,981
Leasehold improvements	<u>911,031</u>	<u>911,031</u>
TOTAL PROPERTY AND EQUIPMENT	2,608,294	2,350,143
Less accumulated depreciation	<u>(1,675,894)</u>	<u>(1,441,698)</u>
NET PROPERTY AND EQUIPMENT	<u>932,400</u>	<u>908,445</u>
OTHER ASSETS		
Cash restricted for endowment	30,448	53,116
Investments restricted for endowment	1,182,689	800,373
Operating lease right-of-use assets	<u>1,866,471</u>	<u>1,976,386</u>
TOTAL OTHER ASSETS	<u>3,079,608</u>	<u>2,829,875</u>
TOTAL ASSETS	<u>\$ 14,501,366</u>	<u>\$ 13,442,317</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 86,361	\$ 1,725
Accrued expenses	327,849	267,865
Current portion of operating lease liabilities	<u>137,407</u>	<u>132,230</u>
TOTAL CURRENT LIABILITIES	<u>551,617</u>	<u>401,820</u>
LONG-TERM LIABILITIES		
Deferred revenue	-	82,320
Refundable advances	184,811	-
Operating lease liabilities, less current portion above	<u>2,362,971</u>	<u>2,500,379</u>
TOTAL LONG-TERM LIABILITIES	<u>2,547,782</u>	<u>2,582,699</u>
TOTAL LIABILITIES	<u>3,099,399</u>	<u>2,984,519</u>
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	8,140,904	7,400,906
With donor restrictions	<u>3,261,063</u>	<u>3,056,892</u>
TOTAL NET ASSETS	<u>11,401,967</u>	<u>10,457,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,501,366</u>	<u>\$ 13,442,317</u>

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

STATEMENTS OF ACTIVITIES

For the year ended December 31, 2023 with comparative totals for 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
<u>PUBLIC SUPPORT AND REVENUE</u>				
Contributions, gifts and grants	\$ 3,488,289	\$ 277,068	\$ 3,765,357	\$ 5,857,910
Direct marketing	422,711	-	422,711	443,220
In-kind contributions	148,067	-	148,067	153,247
Fundraising events	6,068,343	-	6,068,343	4,903,377
Cause marketing	4,194	-	4,194	4,577
Merchandise sales	163,859	-	163,859	64,267
Investment return (loss)	495,855	120,080	615,935	(660,745)
Other revenue	77,054	-	77,054	12,070
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	192,977	(192,977)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	11,061,349	204,171	11,265,520	10,777,923
<u>EXPENSES</u>				
PROGRAM SERVICES	7,183,005	-	7,183,005	5,926,799
SUPPORTING ACTIVITIES				
Management and general	755,985	-	755,985	653,708
Fundraising	2,382,361	-	2,382,361	2,178,688
TOTAL SUPPORTING ACTIVITIES	3,138,346	-	3,138,346	2,832,396
TOTAL EXPENSES	10,321,351	-	10,321,351	8,759,195
CHANGE IN NET ASSETS	739,998	204,171	944,169	2,018,728
NET ASSETS, BEGINNING OF YEAR	7,400,906	3,056,892	10,457,798	8,439,070
NET ASSETS, END OF YEAR	\$ 8,140,904	\$ 3,261,063	\$ 11,401,967	\$ 10,457,798

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023 with comparative totals for 2022

	Supporting Activities				Total 2023	Total 2022
	Program Services	Management and General	Fundraising	Total Supporting Activities		
Competitions and training	\$ 1,377,055	\$ -	\$ -	\$ -	\$ 1,377,055	\$ 1,039,757
Healthy programs	94,519	-	-	-	94,519	93,429
Athlete leadership programs	38,441	-	-	-	38,441	4,819
Youth programming	773,392	-	-	-	773,392	589,577
Volunteer services	19,921	-	-	-	19,921	17,965
Sub-program support	19,395	-	-	-	19,395	2,086
Marketing and communications	437,107	-	-	-	437,107	234,016
Conferences, conventions and meetings	83,398	792	1,472	2,264	85,662	22,760
Fundraising events	832,030	-	1,016,922	1,016,922	1,848,952	1,628,858
Other fundraising expense	97,768	-	119,495	119,495	217,263	213,001
Salaries, taxes and benefits	2,540,150	644,478	812,017	1,456,495	3,996,645	3,515,906
National organization fees	80,703	11,529	23,058	34,587	115,290	123,983
Professional fees	135,783	23,590	35,014	58,604	194,387	127,018
Occupancy	252,902	35,424	70,783	106,207	359,109	383,329
Office expense	88,568	13,095	86,486	99,581	188,149	162,165
Equipment rental and maintenance	66,221	9,490	19,403	28,893	95,114	98,877
Depreciation	177,834	9,523	46,840	56,363	234,197	218,357
Insurance	54,721	7,817	15,683	23,500	78,221	75,442
In-kind expense	12,898	-	135,169	135,169	148,067	199,547
Miscellaneous	199	247	19	266	465	8,302
Total expenses	\$ 7,183,005	\$ 755,985	\$ 2,382,361	\$ 3,138,346	\$ 10,321,351	\$ 8,759,194

See Notes to Financial Statements

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 944,169	\$ 2,018,728
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	234,197	218,357
Endowment contributions restricted for long-term purposes	(239,568)	(280,433)
Donated stock	(10,960)	(9,458)
Realized and unrealized (gain) loss on investments	(463,039)	762,026
Gain on sale of fixed asset	-	348
Reinvested interest and dividends	(161,317)	(111,926)
Operating lease expense	109,915	112,192
Changes in operating assets and liabilities:		
Promises to give receivable	31,606	30,120
ERC grant receivable	665,216	220,923
Inventory	(26,618)	29,873
Prepaid expenses	236,084	(60,720)
Accounts payable	84,636	(232,553)
Accrued expenses	59,984	(14,205)
Deferred revenue	(82,320)	37,956
Refundable advances	184,811	-
Operating lease liability	(132,231)	(130,496)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,434,565</u>	<u>2,590,732</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,313,630)	-
Purchase of investments restricted for endowment	(262,236)	(390,000)
Proceeds from sale of investments	860,002	50,137
Proceeds from sale of investments restricted for endowment	8,010	
Purchase of property and equipment	(258,151)	(104,986)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(4,966,005)</u>	<u>(444,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions received for endowment	<u>239,568</u>	<u>280,433</u>
NET INCREASE (DECREASE)	<u>(3,291,872)</u>	<u>2,426,316</u>
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	<u>4,975,491</u>	<u>2,549,175</u>
END OF YEAR	<u>\$ 1,683,619</u>	<u>\$ 4,975,491</u>

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.

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.

Going concern – Management assesses the Organization’s ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an Organization’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Management has determined there is not substantial doubt about the Organization’s ability to continue as a going concern.

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. Conditional contributions received in advance of conditions being met are recorded as refundable advances.

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. Unconditional 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.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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.

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, 2023 and 2022, 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.

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.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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.

Property and equipment - 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 – US GAAP defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose 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.

The fair value hierarchy is broken down into three levels of inputs that market participants would use in valuing the asset or liability, which can be summarized as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Quoted prices for similar assets or liabilities
- Level 3 - Valuations based on inputs that are unobservable, therefore requiring management's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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, 2023 and 2022, advertising costs expensed totaled \$81,000 and \$47,000, 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, 2022, from which the summarized information was derived.

Leases – The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the Organization's statement of financial position. The Organization has no finance leases. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, it uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of real estate taxes, utilities, common area maintenance, etc. are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has elected to apply the short-term lease exemption to all classes of underlying assets.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Subsequent events policy - Subsequent events have been evaluated through July 24, 2024, which is the date the financial statements were available to be issued.

(2) Risks and uncertainties

The Organization is exposed to various known and unknown risks and uncertainties. Risks include internal and external events and conditions (e.g., pandemics, international conflicts, labor market and supply chain disruption, government mandates and policies, volatile financial markets, etc.) which could impact the value of investments securities, the availability of grants and contributions and the ability to provide program services. It is at least reasonably possible that changes could occur in the near term and that such changes could materially affect the results of changes in net assets and financial position.

(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 program services 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.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(3) Liquidity and availability (continued)

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

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,653,171	\$ 4,922,375
Promises to give receivable	172,669	204,275
ERC grant receivable	-	665,216
Investments	8,169,319	3,208,466
Cash restricted for endowment	30,448	53,116
Investments restricted for endowment	<u>1,182,689</u>	<u>800,373</u>
Total	<u>11,208,296</u>	<u>9,853,821</u>
Less amounts unavailable for general expenditures:		
Investments of unrestricted and donor restricted amounts for team programming	357,416	352,749
Pledged collateral held in investments	1,836,881	1,671,264
Cash held for endowment	30,448	53,116
Investments restricted for endowment	<u>1,182,689</u>	<u>800,373</u>
Total	<u>3,407,434</u>	<u>2,877,502</u>
Financial assets available for general expenditure within one year	<u>\$ 7,800,862</u>	<u>\$ 6,976,319</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.

(4) Conditional promises to give

Conditional promises to give are not recognized as revenue or as a receivable until such amounts become unconditional.

Conditional promises to give at December 31, 2023 and 2022 consist of promises to:

	<u>2023</u>	<u>2022</u>
Health impact - Empower athletes who can lead long and healthy lives	\$ 24,750	\$ -
Provide funding to support school and youth activities under the umbrella of "Unified Champion Schools"	<u>-</u>	<u>420,000</u>
Total	<u>\$ 24,750</u>	<u>\$ 420,000</u>

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2023 and 2022 are as follows:

	Fair value measurements at reporting date using			
	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Mutual funds	\$ 1,778,639	\$ 1,778,639	\$ -	\$ -
Exchange traded funds	2,109,718	2,109,718	-	-
Fixed income	4,834,720	2,158,845	2,675,875	-
Money market/other cash	628,931	628,931	-	-
Total assets measured at fair value	<u>\$ 9,352,008</u>	<u>\$ 6,676,133</u>	<u>\$ 2,675,875</u>	<u>\$ -</u>
December 31, 2022				
Mutual funds	\$ 2,215,093	\$ 2,215,093	\$ -	\$ -
Exchange traded funds	1,737,900	1,737,900	-	-
Money market/other cash	55,846	55,846	-	-
Total assets measured at fair value	<u>\$ 4,008,839</u>	<u>\$ 4,008,839</u>	<u>\$ -</u>	<u>\$ -</u>

The breakdown of total assets by statement of financial position components at December 31, is as follows:

	2023	2022
Current Investments	\$ 8,169,319	\$ 3,208,466
Investments restricted for endowment	1,182,689	800,373
	<u>\$ 9,352,008</u>	<u>\$ 4,008,839</u>

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, 2023 and 2022.

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

Fixed income securities: Valued based on quoted market prices on the active market in which the individual securities are traded.

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, 2024. Interest accrues at an annual rate of 0.50% plus prime rate, with an effective rate of 9% at December 31, 2023. At December 31, 2023, investments consisting of mutual funds, exchange traded funds and other cash accounts totaling \$1,837,000 collateralized this lending arrangement. At December 31, 2023 and 2022, there was no outstanding balance on the line of credit. The Organization is subject to certain nonfinancial covenants under this agreement.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Net assets

The net assets are summarized as follows as of December 31, 2023:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 7,208,504	\$ -	\$ 7,208,504
Net investment in property and equipment	932,400	-	932,400
Restricted for specific purposes:			
Health access	-	257,477	257,477
2026 USA games	-	1,732,949	1,732,949
Summer games	-	7,500	7,500
Specified delegation	-	30,000	30,000
Endowment funds restricted in perpetuity - for programming:			
Original donor-restricted gift amount	-	1,172,501	1,172,501
Accumulated investment return (loss)	-	40,636	40,636
Time restricted	-	20,000	20,000
	<u>\$ 8,140,904</u>	<u>\$ 3,261,063</u>	<u>\$ 11,401,967</u>

The net assets are summarized as follows as of December 31, 2022:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ 6,492,461	\$ -	\$ 6,492,461
Net investment in property and equipment	908,445	-	908,445
Restricted for specific purposes:			
Health access	-	292,477	292,477
2026 USA Games	-	1,870,926	1,870,926
Endowment funds restricted in perpetuity - for programming:			
Original donor-restricted gift amount	-	932,933	932,933
Accumulated investment return (loss)	-	(79,444)	(79,444)
Time restricted	-	40,000	40,000
	<u>\$ 7,400,906</u>	<u>\$ 3,056,892</u>	<u>\$ 10,457,798</u>

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Net assets (continued)

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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Purpose restriction accomplished:		
Health access	\$ 35,000	\$ 30,000
Swim caps	-	2,775
2026 USA Games	137,977	
Passage of specified time restriction	20,000	-
Total restrictions accomplished	<u>\$ 192,977</u>	<u>\$ 32,775</u>

(8) Endowment

Interpretation of relevant law – The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift and instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 Organization and 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
- (7) The investment policies of the Organization

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Endowment (continued)

Endowment composition and changes in endowment net assets

Endowment net asset composition by type of fund as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,172,501	\$ 1,172,501
Accumulated investment returns (losses) subject to appropriation under UPMIFA	-	40,636	40,636
Total endowment net assets	<u>\$ -</u>	<u>\$ 1,213,137</u>	<u>\$ 1,213,137</u>

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ -	\$ 932,933	\$ 932,933
Accumulated investment returns (losses) subject to appropriation under UPMIFA	-	(79,444)	(79,444)
Total endowment net assets	<u>\$ -</u>	<u>\$ 853,489</u>	<u>\$ 853,489</u>

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Endowment (continued)

Endowment composition and changes in endowment net assets (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment nets assets, beginning of year	\$ -	\$ 853,489	\$ 853,489
Investment return (loss)	-	120,080	120,080
Contributions	-	239,568	239,568
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,213,137</u>	<u>\$ 1,213,137</u>

Changes in endowment net assets for the fiscal year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment nets assets, beginning of year	\$ -	\$ 670,653	\$ 670,653
Investment return (loss)	-	(97,597)	(97,597)
Contributions	-	280,433	280,433
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 853,489</u>	<u>\$ 853,489</u>

Funds with deficiencies - From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The amount by which the endowment funds have fallen below such recorded values were approximately \$0 and \$79,000 as of December 31, 2023 and 2022, respectively. The difference in 2022 resulted from unfavorable market fluctuations that occurred after the investment of new contributions to endowment fund.

Return objectives and risk parameters - The Organization has adopted investment and spending policies for endowment assets that seek to ensure preservation of capital in the portfolio. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, based on the investment objectives, the Organization's goal, over time, is to attain a market average or above rate of return. Actual returns in any given year may vary from these amounts

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Endowment (continued)

Endowment composition and changes in endowment net assets (continued)

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the Organization's investment direction is to achieve capital appreciation (realized and unrealized) during favorable markets and preservation of capital during poor market conditions. The Organization expects to need income annually and therefore will only accept minimal short-term volatility in those assets providing short-term income, however, the majority of assets are to be invested for the long term, and volatility in these assets is to be expected and accepted.

Spending policy and how the investment objectives relate to spending policy - The board of director's first objective is to grow the endowment funds to \$20,000,000. Once the endowment has reached at least \$5,000,000 and the Board decides to begin withdrawing funds, a total return spending policy will be followed with an objective to generate and distribute each year an amount equal to 4% of the average market value of the long-term reserves measured over a trailing five-year period as of June 30 of each year, while achieving annual growth in the principal of the fund equal to the annual rate of inflation. For the years ending December 31, 2023 and 2022, no appropriations of funds from endowments were made.

(9) In-kind contributions

The Organization received the following in-kind contributions during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donated materials	\$ 89,100	\$ 45,355
Donated use of equipment	51,272	98,427
Donated services	7,695	9,465
	<u>\$ 148,067</u>	<u>\$ 153,247</u>

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

In-kind contributions included advertising, tent rentals used at fundraising events, and printing of program materials. In-kind contributions are provided at no cost to the Organization and recorded based on current market rates related to the types of goods or services received.

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, 2023 and 2022, 84,000 and 59,000 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.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(10) Employee retention credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in March 2020 created the employee retention credit (ERC). Subsequent to CARES, the Consolidated Appropriations Act (the Act) and the American Rescue Plan Act (ARP) and the Infrastructure Investment and Jobs Act (IIJA) were passed and expanded the applicability of the ERC (CARES, the Act, ARP, and IIJA are collectively referred to as "ERC Legislation"). Organizations qualify for ERC on a calendar quarter basis by either incurring full/partial shutdown of operations due to government shutdown orders or by experiencing reductions of revenue as defined in the ERC Legislation. If eligible, Organizations receive a credit of 50% - 70% of eligible payroll as defined in the applicable ERC Legislation through a refundable payroll tax credit.

The Organization accounted for the ERC as a conditional contribution which required that all program conditions be substantially met before recognition into income. The Organization made claims for refundable credits under the ERC legislation of \$886,000 and recognized revenue of that amount for the year ended December 31, 2021. ERC grant receivable related to these credits were \$0 and \$665,000 at December 31, 2023 and 2022, respectively.

(11) Leases

The Organization has an operating lease agreement for office space and operating leases for office equipment. The office space lease has monthly payments between \$13,400 to \$15,400 plus the Organization's share of property taxes and operating expenses and expires in December of 2029. There are two successive renewal option for five years each; base monthly rent payments are to be set at fair market value at the time the option is exercised. The Organization included both options to renew the lease when assessing the value of the operating lease liability and related ROU asset since the Organization is reasonably certain that it will exercise the options.

The Company has various short-term month-to-month leases with varying payment terms primarily for storage.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(11) Leases (continued)

The components of operating lease expense are as follows:

	<u>Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 162,000	\$ 162,000
Variable lease costs	206,000	209,000
Short term lease costs	41,000	41,000
Total operating lease costs	<u>\$ 409,000</u>	<u>\$ 412,000</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 184,000</u>	<u>\$ 180,000</u>
Weighted average remaining lease term (in years):		
Operating leases	<u>15.9</u>	<u>16.8</u>
Weighted average discount rate:		
Operating leases	<u>2.0%</u>	<u>2.0%</u>

The following is a summary of the minimum future annual lease payments required under this lease at December 31, 2023:

<u>Years Ending December 31,</u>	
2024	\$ 187,000
2025	177,000
2026	178,000
2027	181,000
2028	181,000
Thereafter	<u>2,029,000</u>
Total future minimum operating lease payments	2,933,000
Less imputed interest	<u>(433,000)</u>
Total operating lease liabilities	2,500,000
Less current portion	<u>(137,000)</u>
Noncurrent portion	<u>\$ 2,363,000</u>

(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 \$42,000 and \$39,000 for the years ended December 31, 2023 and 2022, respectively.

SPECIAL OLYMPICS MINNESOTA, INC.

NOTES TO FINANCIAL STATEMENTS

(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>2023</u>	<u>2022</u>
Program services	\$ 929,797	\$ 828,837
Fundraising	<u>1,136,418</u>	<u>1,013,022</u>
	<u>\$ 2,066,215</u>	<u>\$ 1,841,859</u>

(14) Contingency

During 2023 a former employee filed a charge of discrimination with the Minnesota Department of Human Rights. While the Organization intends to vigorously defend the allegations, the outcome of the complaint is uncertain.

(15) 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, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Components of cash and cash equivalents		
Cash and cash equivalents	\$ 1,653,171	\$ 4,922,375
Cash restricted for endowment	<u>30,448</u>	<u>53,116</u>
	<u>\$ 1,683,619</u>	<u>\$ 4,975,491</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. Restrictions for these endowment funds require that these funds be maintained in perpetuity.