

**SPECIAL OLYMPICS
MONTANA, INC.**

AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018 (Restated)



**SPECIAL OLYMPICS MONTANA, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
Special Olympics Montana, Inc.
Great Falls, Montana

We have audited the accompanying financial statements of Special Olympics Montana, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Montana, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment for Correction of Error

As discussed in Note 14 to the financial statements, an error resulting in an understatement of previously reported net support receivables and net assets as of December 31, 2018, was discovered during 2019. Accordingly, amounts reported for support receivables, discount on long-term pledges, and net assets have been restated in the 2018 financial statements to correct this error. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The non-accounting information on pages 22 and 23, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
April 30, 2020

SPECIAL OLYMPICS MONTANA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018 (Restated)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,918,605	\$ 1,894,756
Inventory of education and promotion materials held for use	14,946	16,532
Support receivable, current	290,429	1,454,320
Prepaid expenses	7,166	11,796
	2,231,146	3,377,404
FIXED ASSETS		
Land	33,278	33,278
Building	238,722	238,722
Furniture and equipment	90,273	65,021
Vehicles	95,726	95,726
	457,999	432,747
Less accumulated depreciation	186,765	163,607
	271,234	269,140
OTHER ASSETS		
Investments, at fair market value	5,776,845	3,323,070
Support receivable, long-term, net	1,134,692	1,051,306
Cash surrender value of life insurance	41,916	38,512
	6,953,453	4,412,888
Total assets	\$ 9,455,833	\$ 8,059,432
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 102,612	\$ 60,965
Accrued vacation	29,594	69,253
Accrued liabilities	42,145	39,521
Current portion of long-term debt	7,152	6,808
Deferred revenue	-	529
	181,503	177,076
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	89,167	96,306
Annuities payable	84,100	66,878
	173,267	163,184
Total liabilities	354,770	340,260
NET ASSETS		
Without donor restrictions	3,164,634	2,611,122
With donor restrictions	5,936,429	5,108,050
Total net assets	9,101,063	7,719,172
Total liabilities and net assets	\$ 9,455,833	\$ 8,059,432

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
PUBLIC SUPPORT			
Foundation and corporate contributions	\$ 836,566	\$ 20,100	\$ 856,666
Individual contributions	161,276	1,103,684	1,264,960
Service club contributions	34,652	-	34,652
Fundraising income	1,113,953	-	1,113,953
Telemarketing	138,433	-	138,433
In-kind contributions	356,959	-	356,959
Games revenue	27,427	-	27,427
Change in value of split-interest agreements	(699)	699	-
Net assets released from restrictions	764,804	(764,804)	-
	<u>3,433,371</u>	<u>359,679</u>	<u>3,793,050</u>
 REVENUE			
Investment income	33,753	127,083	160,836
Other revenue	11,549	-	11,549
Net gain on investments	76,941	341,617	418,558
	<u>122,243</u>	<u>468,700</u>	<u>590,943</u>
 Total public support and revenue	<u>3,555,614</u>	<u>828,379</u>	<u>4,383,993</u>
 EXPENSES			
Program services	2,386,973	-	2,386,973
Supporting services	322,165	-	322,165
Fundraising	292,964	-	292,964
	<u>3,002,102</u>	<u>-</u>	<u>3,002,102</u>
 CHANGE IN NET ASSETS	553,512	828,379	1,381,891
 Net assets, beginning of year	<u>2,611,122</u>	<u>5,108,050</u>	<u>7,719,172</u>
 NET ASSETS, END OF YEAR	<u><u>\$ 3,164,634</u></u>	<u><u>\$ 5,936,429</u></u>	<u><u>\$ 9,101,063</u></u>

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Totals
PUBLIC SUPPORT			
Foundation and corporate contributions	\$ 1,565,145	\$ 200,000	\$ 1,765,145
Individual contributions	208,263	227,162	435,425
Service club contributions	46,322	-	46,322
Fundraising income	1,067,773	-	1,067,773
Telemarketing	136,110	-	136,110
In-kind contributions	292,359	-	292,359
Games revenue	24,729	-	24,729
Change in value of split-interest agreements	(281)	281	-
Net assets released from restrictions	108,765	(108,765)	-
	<u>3,449,185</u>	<u>318,678</u>	<u>3,767,863</u>
 REVENUE			
Investment income	47,379	72,470	119,849
Other revenue	6,391	-	6,391
Net loss on investments	(80,834)	(201,380)	(282,214)
	<u>(27,064)</u>	<u>(128,910)</u>	<u>(155,974)</u>
 Total public support and revenue	<u>3,422,121</u>	<u>189,768</u>	<u>3,611,889</u>
 EXPENSES			
Program services	2,462,342	-	2,462,342
Supporting services	263,485	-	263,485
Fundraising	267,631	-	267,631
	<u>2,993,458</u>	<u>-</u>	<u>2,993,458</u>
 CHANGE IN NET ASSETS	428,663	189,768	618,431
 Net assets, beginning of year	<u>2,182,459</u>	<u>4,918,282</u>	<u>7,100,741</u>
 NET ASSETS, END OF YEAR	<u><u>\$ 2,611,122</u></u>	<u><u>\$ 5,108,050</u></u>	<u><u>\$ 7,719,172</u></u>

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
Wages	\$ 889,557	\$ 139,569	\$ 41,518	\$ 1,070,644
Payroll expenses	80,480	12,459	3,202	96,141
Employee health and retirement	<u>131,394</u>	<u>25,390</u>	<u>3,505</u>	<u>160,289</u>
Total personnel expenses	1,101,431	177,418	48,225	1,327,074
Advertising	210,148	719	3,903	214,770
Bad debts	-	60	-	60
Conferences and meetings	11,764	1,743	6,591	20,098
Contract services	12,500	-	-	12,500
Depreciation	17,368	5,790	-	23,158
Dues and subscriptions	2,744	2,280	781	5,805
Games	12,340	-	17,998	30,338
Insurance	18,193	6,472	6,322	30,987
Medals and awards	73,754	7,897	37,164	118,815
Miscellaneous	41,607	19,371	4,284	65,262
Occupancy	9,286	2,913	3,249	15,448
Office supplies	26,448	10,488	9,687	46,623
Postage and freight	5,057	1,346	2,512	8,915
Printing and pictures	6,565	269	8,538	15,372
Rent	74,639	594	7,340	82,573
Service fees	195,702	44,901	31,244	271,847
Supplies	166,272	19,053	69,857	255,182
Telephone	21,773	6,531	5,685	33,989
Travel and meals	<u>379,382</u>	<u>14,320</u>	<u>29,584</u>	<u>423,286</u>
Total expenses	<u>\$ 2,386,973</u>	<u>\$ 322,165</u>	<u>\$ 292,964</u>	<u>\$ 3,002,102</u>

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018 (Restated)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
Wages	\$ 887,852	\$ 130,525	\$ 37,588	\$ 1,055,965
Payroll expenses	75,342	11,464	2,925	89,731
Employee health and retirement	<u>140,952</u>	<u>29,162</u>	<u>2,399</u>	<u>172,513</u>
Total personnel expenses	1,104,146	171,151	42,912	1,318,209
Advertising	232,134	6,272	34,714	273,120
Bad debts	-	-	27	27
Conferences and meetings	24,565	810	6,268	31,643
Contract services	11,000	-	-	11,000
Depreciation	13,923	4,641	-	18,564
Dues and subscriptions	1,795	2,026	571	4,392
Games	13,444	-	22,294	35,738
Insurance	15,723	5,847	7,085	28,655
Medals and awards	63,209	4,410	31,461	99,080
Miscellaneous	44,580	8,685	4,154	57,419
Occupancy	9,176	3,020	3,213	15,409
Office supplies	14,421	7,473	5,207	27,101
Postage and freight	5,125	821	6,728	12,674
Printing and pictures	5,856	799	8,201	14,856
Rent	103,148	337	6,666	110,151
Service fees	135,568	15,361	39,347	190,276
Supplies	231,504	14,673	11,996	258,173
Telephone	18,550	5,036	6,886	30,472
Travel and meals	<u>414,475</u>	<u>12,123</u>	<u>29,901</u>	<u>456,499</u>
Total expenses	<u>\$ 2,462,342</u>	<u>\$ 263,485</u>	<u>\$ 267,631</u>	<u>\$ 2,993,458</u>

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019 and 2018 (Restated)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,381,891	\$ 618,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,158	18,564
(Gain) loss on on investments, net	(418,558)	260,867
Increase in cash surrender value of life insurance	(3,404)	(3,209)
Permanently restricted contributions	(1,103,684)	(227,162)
Change in:		
Inventory - educational and promotional items	1,586	834
Support receivable	1,080,505	124,999
Prepaid expenses	4,630	(2,431)
Accounts payable	41,647	30,003
Accrued vacation	(39,659)	(4,895)
Accrued liabilities	2,624	962
Deferred revenue	(529)	529
Annuity payable	19,731	8,971
Net cash from operating activities	<u>989,938</u>	<u>826,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	200,000	96,782
Purchase of investments and reinvestments	(2,235,217)	(1,002,596)
Purchase of fixed assets	(25,252)	(44,909)
Net cash from investing activities	<u>(2,060,469)</u>	<u>(950,723)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	1,103,684	227,162
Payments on annuities	(2,509)	(2,085)
Principle payments on debt	(6,795)	(6,426)
Net cash from financing activities	<u>1,094,380</u>	<u>218,651</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	23,849	94,391
Cash and cash equivalents, beginning of year	<u>1,894,756</u>	<u>1,800,365</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,918,605</u>	<u>\$ 1,894,756</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest included in operating activities	\$ 4,935	\$ 5,304

See notes to financial statements.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018 (Restated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Special Olympics Montana, Inc. provides sports training and athletic competition as well as year-round programs for children and adults with intellectual disabilities throughout the State of Montana. Special Olympics Montana, Inc., as defined by this report, consists of the State Administrative Account and the following local programs:

Billings	Glasgow (3)	Lewistown
Bozeman	Glendive	Miles City
Butte	Great Falls	Missoula
Cut Bank	Havre	Stevensville
Eureka	Helena	White Sulphur Springs
Forsyth	Kalispell	

Special Olympics Montana, Inc., as defined by this report, does not include any local programs not mentioned above. The primary funding source for Special Olympics Montana, Inc., is contributions from donors who live in the region.

Adoption of ASU 2014-09 and 2018-08:

During the year ended December 31, 2019, the Organization adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The Organization's prior policy of revenue recognition agreed to the new standards and there was no prior period effect upon implementation.

Basis of Presentation:

The financial statements of the Organization are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in Accounting Standards Codification (FASB ASC) 958, *Not-For-Profit Entities*. Therefore, the Organization reports information about its financial position and activities using two classes of net assets that recognize the existence and nature of restrictions on its net assets as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations that are available for operations at management's discretion.

Net assets with donor restrictions - Resources restricted by donors as to purpose or by passage of time, or resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions are reported as net assets released from restrictions.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand, cash in banks, cash in transit, and checking and savings accounts. Accounts are held at the state and local program levels. Some cash and short-term investments held in a money market or other similar deposit fund are reported as investments instead of cash because the Organization held those funds for investment or as an endowment.

Inventory:

Inventory is stated at cost and the cost of sales is determined on the first-in, first-out method.

Support Receivable:

Support receivable consists primarily of unconditional promises to give pledged to the Organization. Management has determined that these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Fixed Assets:

The Organization records fixed assets at cost for purchased assets and fair value for donated assets. Depreciation is computed using the straight-line method based on estimated useful lives ranging from three to seven years. The Organization has a \$1,000 capitalization policy.

Donated Goods:

Donated materials and equipment are recorded as contribution revenue at their estimated fair value at date of receipt.

Donated Services:

No amounts have been reflected for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a large number of volunteers have given significant amounts of their time to Special Olympics Montana, Inc. programs, fundraising campaigns, and management.

Advertising:

Advertising costs are expensed as incurred. Advertising expense amounted to \$214,770 and \$273,120 for the years ended December 31, 2019 and 2018, respectively.

Available Funds:

The expenditures for each year are financed principally by funds received from commercial sponsors and private donations. Special Olympics Montana, Inc. also receives revenue from special fundraising events not actively controlled by management personnel.

Tax Status:

Special Olympics Montana, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the years ended December 31, 2019 and 2018. As a result, the accompanying financial statements do not reflect any provision for income taxes. In addition, the Organization has been classified as an organization that is not a private foundation.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Management of Liquid Resources:

Special Olympics Montana, Inc. is substantially supported by contributions both with and without donor restrictions. For donor restricted contributions, the Organization must maintain adequate resources to meet the responsibilities to donors. Thus, some of the Organization's financial assets may not be available for general expenditure within one year of the date of the statements of financial position. Special Olympics Montana, Inc. manages its liquidity as part of a policy to make unrestricted financial assets available for general expenditures and other obligations as they come due. In addition, the Organization has board designated reserves that can be draw upon in the event of financial distress or an immediate liquidity need, which would be at the discretion of the board of directors.

Functional Allocation of Expenses:

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Certain administrative and other costs have been allocated among the programs based on specific identification or based on estimates of the expenses incurred. The primary activity groups and their related purposes are summarized as follows:

Program Services - Expenses which are associated with activities related to the Organization's exempt purpose.

Supporting Services - Expenses which allow the Organization to operate and provide program services, but are not directly attributable to the program services.

Fundraising - Provides for supplies and services for special events and activities designed to create public awareness and support for the Organization's exempt purpose.

The financial statements of the Organization report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include:

Expense	Method of Allocation
Advertising	Purpose
Contract and service fees	Purpose
Depreciation	Location and purpose
Occupancy	Location and purpose
Office supplies and expenses	Purpose
Personnel expenses	Time and effort
Rent	Location and purpose
Travel, meals, conferences, meetings	Purpose

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications:

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation. These reclassifications had no effect on ending net assets or changes in net assets. The primary reclassification is to present investment fees net of investment revenue consistent with the requirements of ASU 2016-14.

2. SUPPORT RECEIVABLE

Support receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 290,429	\$ 1,454,320
Receivable in one to five years	<u>1,198,470</u>	<u>1,147,873</u>
Total pledges receivable	1,488,899	2,602,193
Less discount on long-term pledges	<u>(63,778)</u>	<u>(96,567)</u>
Net pledges receivable	<u>\$ 1,425,121</u>	<u>\$ 2,505,626</u>

The discount on pledges receivable was \$63,778 and \$96,567 at December 31, 2019 and 2018, respectively. Pledges were discounted to their present value based on the term of the underlying pledge. The discount rate was 2.6% and 1.7% for the years ended December 31, 2019 and 2018, respectively.

3. INVESTMENTS

Investments are carried on the statements of financial position at fair value, as determined by the broker from quoted prices in active markets for identical assets (Level 1 measurements). There are no assets reported at values determined by significant other observable inputs (Level 2), or significant unobservable inputs (Level 3). Gains and losses from the change in market value of investments and income from these investments are credited directly to the change in net assets without donor restrictions.

Investments consist primarily of brokered certificates of deposit, bonds, mutual funds, and corporate stocks. Investments are carried on the statements of financial position at fair value based on quoted prices in active markets (all Level 1 measurements). The cost and market value of investments are as follows at December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash and equivalents	\$ 1,642,739	\$ 1,642,739	\$ 809,404	\$ 809,404
Fixed income	1,183,602	1,198,551	649,740	631,942
Equity investments	2,034,214	2,662,041	1,439,284	1,669,267
Alternative investments	<u>304,999</u>	<u>273,514</u>	<u>266,997</u>	<u>212,457</u>
Total investments	<u>\$ 5,165,554</u>	<u>\$ 5,776,845</u>	<u>\$ 3,165,425</u>	<u>\$ 3,323,070</u>

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

4. ENDOWMENT NET ASSETS

Special Olympics Montana, Inc.'s endowment consists of funds received from many donors and established for a variety of purposes. Its endowment includes both donor-restricted funds and sometimes includes funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The board of directors of the Organization has interpreted the 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 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 permanent endowment, and (c) accumulations to the permanent 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 is also classified as net assets with donor restrictions until those amounts are appropriated 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 various funds.
- (2) The purposes of the donor-restricted endowment funds.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies:

The Organization has adopted investment policies for endowment assets with an objective of maintaining the purchasing power of the assets and all future contributions consistent with the level of programs and services currently provided. The investment process seeks to maximize a rate of return within reasonable and prudent levels of risk by diversifying the portfolio, which is based on a long-term perspective. In general, the Organization has targeted a return on the portfolio of approximately 8% annually.

Spending Policy:

The Organization's policy states the spending and distribution rate will be reviewed and approved annually in December by the board of directors. For the year ending December 31, 2018 and forward, the spending rate was 3.5%-7% of the average total market value of the endowment for the trailing three-year period ending December 31 using the prior 12 quarters average, not to exceed the total investment earnings, realized gains, and unrealized gains measured in the immediate preceding four quarters. The policy adopted by the board of directors states that ten percent of the excess support and revenues over expenses be transferred to the endowment fund each year.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

4. ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	-	3,695,667	3,695,667
Contributions	168,185	227,162	395,347
Investment income	-	72,470	72,470
Net depreciation	-	(201,380)	(201,380)
Appropriated for expenditure	(96,782)	-	(96,782)
Change in value of split-interest agreements	-	(1,641)	(1,641)
Endowment net assets, December 31, 2018	71,403	3,792,278	3,863,681
Contributions	-	1,103,684	1,103,684
Investment income	2,393	127,083	129,476
Net appreciation	6,432	341,617	348,049
Appropriated for expenditure	(200,000)	-	(200,000)
Change in value of split-interest agreements	-	(1,352)	(1,352)
Net assets released from restrictions	119,772	(119,772)	-
Endowment net assets, December 31, 2019	\$ -	\$ 5,243,538	\$ 5,243,538

5. DEFERRED CHARITABLE GIFT ANNUITIES

The Organization has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Organization is obligated to provide an annuity to the donor, commencing on an agreed-upon date, for the remainder of the donor's life. Upon termination, some of these agreements are without donor restrictions and available for use by the Organization at their discretion while other agreements are restricted to the Organization's endowment. Under the agreements restricted to the endowment, the Organization has deposited the gifts into separate accounts as required.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments. At December 31, 2019 and 2018, the present value was calculated using the rate stated in each annuity contract ranging from 1.2% to 5.2%. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. The liability at December 31, 2019 and 2018, was \$84,100 and \$66,878, respectively.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

6. LONG-TERM DEBT

Special Olympics Montana, Inc. entered into a loan agreement with First Interstate Bank for a 20-year amortized mortgage which may be re-written every five years. The terms of this agreement require monthly payments in the amount of \$978, including interest at a rate of 4.95%, and a maturity date of March 2021. The principal balance due as of December 31, 2019 and 2018, was \$96,319 and \$103,114, respectively. Upon maturity in March 2021, the terms may be re-written for another five years.

Maturities of this long-term note for the next five years are as follows at December 31:

2020	\$	7,152
2021		<u>89,167</u>
Total long-term debt	\$	<u><u>96,319</u></u>

7. RETIREMENT PLAN

Special Olympics Montana, Inc. has elected to contribute, for qualifying employees having more than six months of continuous employment, a matching amount up to 4% of their salary into a retirement fund through American Funds. The board of directors of Special Olympics Montana, Inc. has retained the authority to review and/or change this percentage at its discretion. The contribution was \$45,604 and \$45,853 for the years ended December 31, 2019 and 2018, respectively.

8. ALLOCATIONS OF JOINT COSTS

The Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included donated television time and advertisements featuring local Special Olympics athletes with local politicians in an effort to notify the public about upcoming games and other program events, as well as volunteer opportunities and how to acquire additional information about programs and solicitation of contributions. The donated advertising was the Organization's only fundraising activity that involved joint cost allocations. Joint costs for this activity were \$93,600 for each of the years ended December 31, 2019 and 2018, with management allocating 60% as program expenses and 40% as support expenses, with 30% of support expenses allocated to fundraising and 10% of support expenses allocated to supporting services. The allocation of joint costs were as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Program expenses	\$ 56,160	\$ 56,160
Support expenses:		
Fundraising	33,696	33,696
Supporting services	<u>3,744</u>	<u>3,744</u>
Total	<u><u>\$ 93,600</u></u>	<u><u>\$ 93,600</u></u>

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

9. DONATED MATERIALS AND SERVICES

The value of donated materials and services included in the financial statements and the corresponding expenses are as follows for the years ended December 31, 2019:

	2019	2018
Revenues without donor restrictions (contributions)		
Donated office supplies	\$ 174	\$ 296
Donated supplies	101,917	7,432
Donated advertising	244,363	259,650
Donated travel and meals	2,458	5,360
Donated service fees	6,982	16,891
Donated rent	1,065	2,730
	\$ 356,959	\$ 292,359
Expenses		
Office supplies	\$ 174	\$ 296
Supplies	101,917	7,432
Advertising	244,363	259,650
Travel and meals	2,458	5,360
Service fees	6,982	16,891
Rent	1,065	2,730
	\$ 356,959	\$ 292,359

10. DONATED SERVICES

Many volunteers have donated significant amounts of time to the Organization's program and fundraising activities. No amounts have been recognized in the accompanying statement of activities and changes in net assets because the criteria for recognition of such efforts under accounting principles generally accepted in the United States of America have not been satisfied.

11. AREA AND LOCAL PROGRAM EXPENSES

The Organization maintains separate accounting for state versus local programs. For financial purposes, the activity of all such local programs is combined with the state and reported as one entity. Total expenses as reported consist of \$2,532,317 and \$2,474,765 at the state level and \$469,785 and \$518,693 at the local level for the year ended December 31, 2019 and 2018.

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

12. NET ASSETS

Net assets are comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions		
Invested in property and equipment, net of depreciation and related debt	\$ 174,915	\$ 166,026
Board designated funds	74,388	72,224
Investment reserve	906,268	475,026
Undesignated	<u>2,009,063</u>	<u>1,897,846</u>
Total net assets without donor restrictions	<u>3,164,634</u>	<u>2,611,122</u>
Net assets with donor restrictions		
Pledges and grants receivable	501,484	1,126,739
Healthy Athletes	66,337	67,150
Project Unified	84,249	74,282
Flathead Project	25,963	33,442
Gift annuities not designated for the endowment	14,858	14,158
Endowment corpus	4,869,545	3,765,860
Endowment earnings in excess of corpus	<u>373,993</u>	<u>26,419</u>
Total net assets with donor restrictions	<u>5,936,429</u>	<u>5,108,050</u>
Total net assets	<u>\$ 9,101,063</u>	<u>\$ 7,719,172</u>

13. FINANCIAL ASSETS

The table below reflects the Organization's financial assets as of the date of the statements of financial position, reduced by amounts that are not available for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date:

Financial assets as of December 31:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,918,605	\$ 1,894,756
Current accounts and pledges receivable	290,429	1,454,320
Investments	<u>5,776,845</u>	<u>3,323,070</u>
	7,985,879	6,672,146
Less: financial assets unavailable for general expenditures within one year, due to:		
Board designated funds	(906,268)	(475,026)
Board designated funds	(74,388)	(72,224)
Restricted for projects and programs	(176,549)	(174,874)
Gift annuities	(14,858)	(14,158)
Restricted for the endowment	<u>(5,243,536)</u>	<u>(3,792,278)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,570,280</u>	<u>\$ 2,143,586</u>

SPECIAL OLYMPICS MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2019 and 2018 (Restated)

14. RESTATEMENT OF 2018 FINANCIAL STATEMENTS

During the year ended December 31, 2019, an error made in prior periods was discovered. As a result of the error, support receivables and net assets were understated by \$200,000 as of December 31, 2018, which also understated the discount on long-term pledges by \$6,369. Support receivables, the discount on long-term pledges, and net assets have been restated in the 2018 financial statements to correct this error.

The error is a result of a \$300,000 unconditional grant that was recorded upon the receipt of cash rather than upon notification of the award as required by FASB ASC 958. The Organization has made changes to its internal control procedures to ensure such gifts are recorded in accordance with FASB ASC 958.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2020, the date on which the financial statements were available to be issued.

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Restrictions and closures recommended by state and federal agencies may have an impact on the Organization's future operations, which are unknown at this time. Management continues to closely monitor the situation and is taking steps to reduce risk and continue operations. As part of these efforts, the Organization applied for and received a \$261,338 Paycheck Protection Program loan in April 2020 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization believes most, if not all, of the loan proceeds used will qualify for forgiveness.

NON-ACCOUNTING INFORMATION



Special Olympics Montana 2019: Volunteer Value Impact (VVI)

Standard-accounting-procedures-do-not-allow-for-consideration-and-documentation-of-the-real-value-of volunteer-time-in-audited-financial-statements.-In-a-volunteer-driven-movement-like-Special-Olympics Montana,- however,- this- human- resource- is- primary- and- pivotal- to- our- service- delivery- and- has tremendous-real-dollar-value-to-the-organization.

Quite-literally,-in-the-absence-of-volunteers-we-would-have-no-program.-This-said,-the-professional-staff employed-works-almost-exclusively-from-day-to-day-throughout-the-year-with-volunteers-across-Montana.

While-our-overhead-(typically-defined-as-administrative-and-fund-raising-costs)-is-relatively-low-to program-expenses,-when-you-include-the-Volunteer-Value-Impact-(VVI)-into-the-equation,-our-supporters see-the-real-ratio-and-cost-effectiveness-associated-with-our-annual-operation.

Including-this-metric,-based-on-a-minimum-wage-of-\$8.50/hour-and-the-roles-and-responsibilities-of nearly-6,000-volunteers-who-donated-approximately-661,270-hours-of-their-time-and-talent-in-2019,-we estimate-that-VVI-was-\$5,620,795.-Based-on-the-value-of-a-volunteer-hour-determined-by-the-Chronicle of-Philanthropy-and-Nonprofit-Times,-using-minimum-wage-is-about-half-the-value-these-industry-tabloids would-place-on-a-volunteer's-time.

When-VVI-is-factored-in,-results-are-stunning-and-demonstrate-the-cost-effectiveness-of-Special-Olympics Montana.

Special Olympics Montana

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Created by the Joseph P. Kennedy Jr. Foundation for the benefit of persons with intellectual disabilities

Unaudited - see "Other Matter" on the independent auditors' report.



Special Olympics Montana Charts A and B: Volunteer Value Impact (VVI)

