



Financial Statements
December 31, 2023
with Comparative Totals for 2022
Special Olympics Nebraska, Inc.

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Independent Auditor's Report

To the Board of Directors of
Special Olympics Nebraska, Inc.
Omaha, Nebraska

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SONE 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SONE 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 SONE's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's 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 auditor's 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 SONE'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 SONE's ability to continue as a going concern for a reasonable period of time.

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.

Report on Summarized Comparative Information

We have previously audited SONE's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 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.



Omaha, Nebraska

April 26, 2024

Special Olympics Nebraska, Inc.

Statement of Financial Position

December 31, 2023 with Comparative Totals for December 31, 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 121,780 | \$ 145,333 |
| Investments | 1,476,247 | 1,294,936 |
| Receivables | | |
| Accounts receivable | 1,577 | - |
| Grants receivable | 25,910 | 21,816 |
| Employee retention tax credit receivable | 320,943 | - |
| Prepaid expenses | 36,586 | 20,763 |
| Total current assets | <u>1,983,043</u> | <u>1,482,848</u> |
| Noncurrent Assets | | |
| Beneficial interest in charitable trust | - | 94,767 |
| Cash restricted for long-term purposes | 94,396 | 96,328 |
| Investments restricted for term endowment | 3,009,844 | 2,990,532 |
| Property and equipment, net | 56,655 | 31,731 |
| Operating lease right-of-use asset | 59,963 | 120,948 |
| Total noncurrent assets | <u>3,220,858</u> | <u>3,334,306</u> |
| Total assets | <u>\$ 5,203,901</u> | <u>\$ 4,817,154</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Operating lease liability - Current portion | \$ 55,191 | \$ 61,633 |
| Accounts payable | 62,702 | 15,959 |
| Accrued payroll and compensated absences | 33,118 | 30,730 |
| Refundable advances | 109,398 | 64,550 |
| Total current liabilities | <u>260,409</u> | <u>172,872</u> |
| Noncurrent Liabilities | | |
| Operating lease liability - Noncurrent portion | 4,953 | 60,144 |
| Total liabilities | <u>265,362</u> | <u>233,016</u> |
| Net Assets | | |
| Without donor restrictions | 1,834,299 | 1,402,511 |
| With donor restrictions | 3,104,240 | 3,181,627 |
| Total net assets | <u>4,938,539</u> | <u>4,584,138</u> |
| Total liabilities and net assets | <u>\$ 5,203,901</u> | <u>\$ 4,817,154</u> |

Special Olympics Nebraska, Inc.

Statement of Activities

Year Ended December 31, 2023 with Comparative Totals for the Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | 2022 Total |
|---|----------------------------------|-------------------------------|----------------------------|----------------------------|
| Revenue, Gains and Other Support | | | | |
| Contributions | \$ 811,731 | \$ 25 | \$ 811,756 | \$ 586,628 |
| Special events | 579,062 | - | 579,062 | 576,184 |
| Direct-marketing contributions | 112,708 | - | 112,708 | 139,045 |
| Grants | 1,294,338 | - | 1,294,338 | 950,018 |
| Contributions of nonfinancial assets | 61,616 | - | 61,616 | 41,428 |
| Special Olympics International distribution | 849 | - | 849 | 18,994 |
| Change in value of beneficial interest | - | - | - | 3,003 |
| Investment income (loss), net | 185,465 | 119,601 | 305,066 | (566,542) |
| Net assets released from restrictions | 197,013 | (197,013) | - | - |
| Total revenue, gains and other support | <u>3,242,782</u> | <u>(77,387)</u> | <u>3,165,395</u> | <u>1,748,758</u> |
| Expenses | | | | |
| Program services | 2,108,830 | - | 2,108,830 | 1,986,041 |
| Management and general | 300,257 | - | 300,257 | 224,267 |
| Fundraising | 401,907 | - | 401,907 | 343,186 |
| Total expenses | <u>2,810,994</u> | <u>-</u> | <u>2,810,994</u> | <u>2,553,494</u> |
| Change in Net Assets | 431,788 | (77,387) | 354,401 | (804,736) |
| Net Assets, Beginning of Year | <u>1,402,511</u> | <u>3,181,627</u> | <u>4,584,138</u> | <u>5,388,874</u> |
| Net Assets, End of Year | <u><u>\$ 1,834,299</u></u> | <u><u>\$ 3,104,240</u></u> | <u><u>\$ 4,938,539</u></u> | <u><u>\$ 4,584,138</u></u> |

Special Olympics Nebraska, Inc.

Statement of Cash Flows

Year Ended December 31, 2023 with Comparative Totals for the Year Ended December 31, 2022

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|-------------------|
| Operating Activities | | |
| Change in net assets | \$ 354,401 | \$ (804,736) |
| Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities: | | |
| Depreciation | 11,160 | 4,383 |
| Change in realized and unrealized gains on investments, net | 208,734 | 643,285 |
| Change in value of beneficial interest | - | (3,003) |
| Change in operating lease asset and liability | (648) | - |
| (Increase) decrease in assets: | | |
| Accounts receivable | (1,577) | 3,347 |
| Grants receivable | (4,094) | (2,725) |
| Employee retention tax credit receivable | (320,943) | - |
| Prepaid expenses | (15,823) | 8,843 |
| Beneficial interest in charitable trust | 94,767 | - |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | 46,743 | (7,409) |
| Accrued payroll and compensated absences | 2,388 | (621) |
| Refundable advances | 44,848 | (15,176) |
| Net Cash Provided by (Used in) Operating Activities | <u>419,956</u> | <u>(173,812)</u> |
| Investing Activities | | |
| Purchases of property and equipment | (36,084) | (27,662) |
| Proceeds from the sale of investments | 594,269 | 500,205 |
| Purchases of investments | <u>(1,003,626)</u> | <u>(495,371)</u> |
| Net Cash Used in Investing Activities | <u>(445,441)</u> | <u>(22,828)</u> |
| Change in Cash, Cash Equivalents, and Restricted Cash | (25,485) | (195,811) |
| Cash Cash Equivalents, and Restricted Cash, Beginning of Year | <u>241,661</u> | <u>437,472</u> |
| Cash Cash Equivalents, and Restricted Cash, End of Year | <u>\$ 216,176</u> | <u>\$ 241,661</u> |

Special Olympics Nebraska, Inc.

Statement of Functional Expenses

Year Ended December 31, 2023 with Comparative Totals for the Year Ended December 31, 2022

| | Program Services | Management and General | Fundraising | 2023 Total | 2022 Total |
|------------------------------------|---------------------|---------------------------|-------------------|--------------------|--------------------|
| Salaries and Benefits | | | | | |
| Salaries and contract labor | \$ 766,177 | \$ 150,025 | \$ 174,166 | \$1,090,368 | \$ 923,922 |
| Employee benefits | 94,805 | 9,968 | 20,948 | 125,721 | 111,223 |
| Payroll taxes | 54,387 | 11,784 | 12,687 | 78,858 | 66,590 |
| Total salaries and benefits | 915,369 | 171,777 | 207,801 | 1,294,947 | 1,101,735 |
| Other Expenses | | | | | |
| Travel, competitions and events | 617,774 | 317 | 66,335 | 684,426 | 610,370 |
| Facility and equipment expenses | 162,926 | 26,243 | 24,123 | 213,292 | 242,512 |
| Operating expenses | 92,839 | 4,966 | 34,024 | 131,829 | 189,812 |
| Direct school support | 134,848 | - | - | 134,848 | 127,502 |
| Occupancy | 54,625 | 13,690 | 32,212 | 100,527 | 100,457 |
| Legal and professional fees | 50,639 | 75,743 | 9,149 | 135,531 | 70,044 |
| Advertising | 10,748 | - | 15,454 | 26,202 | 34,305 |
| National fees | 33,089 | - | - | 33,089 | 33,817 |
| Insurance | 25,389 | 4,850 | 6,864 | 37,103 | 30,520 |
| Business expenses | 1,983 | 1,219 | 3,894 | 7,096 | 7,957 |
| Depreciation | 7,657 | 1,452 | 2,051 | 11,160 | 4,383 |
| Public education and awareness | 944 | - | - | 944 | 40 |
| Telemarketing | - | - | - | - | 40 |
| Total expenses | \$2,108,830 | \$ 300,257 | \$ 401,907 | \$2,810,994 | \$2,553,494 |

Note 1 - Description of Organization and Summary of Significant Accounting Policies

The following is a description of the organization and a summary of the significant accounting policies of Special Olympics Nebraska, Inc. (SONE). These policies are in accordance with accounting principles generally accepted in the United States of America (GAAP).

Organization

SONE is a not-for-profit organization that was organized to provide sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities throughout the state of Nebraska. SONE is supported primarily by contributions and special events.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not for Profit Entities. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor imposed restrictions. SONE maintains the following classes of net assets:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SONE.

Net assets with donor restrictions are net assets subject to restrictions imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash for purposes of the statement of cash flows includes investments with an original maturity of three months or less and exclude cash, cash equivalents, and restricted cash included in investments.

Grants Receivable

Grants receivable consist of reimbursements due from grantor agencies for expenses of SONE under the terms of the various grant agreements. Management evaluates the collectability of grants receivable on an ongoing basis and recognizes an allowance for doubtful accounts, if necessary. Credit risk associated with grants receivable is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations supportive of SONE's mission. As of December 31, 2023 and 2022, no such allowances were recognized.

Beneficial Interest in Charitable Trust

SONE was the partial beneficiary of an irrevocable non-perpetual charitable remainder unitrust held by a third-party trustee. The trust was created independently of SONE and was neither in the possession nor under the control of SONE. The trust was administered by a third-party trustee as designated by the donor. SONE recorded its partial interest in the trust at fair value as measured by the present value of the estimated future distributions to be received by SONE over the term of the agreement, discounted at the rate commensurate with the risks involved. The beneficial interests in charitable trusts was recognized as revenue when SONE was notified that it was named as an irrevocable beneficiary and had sufficient information to make a reasonable estimate of the fair value of its interest. The value of the beneficial interest in charitable trust was adjusted annually for the change in fair value. The changes in value was reported as changes in net assets with donor restrictions. The beneficial interest in the charitable trust terminated in fiscal year 2023 and the partial interest in trust assets was distributed to SONE by the trustee under the provisions of the trust agreement and the remaining net assets were reclassified from with donor restrictions to without donor restrictions.

Investments

All investments are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) are included in revenue, gains and other support without donor restrictions in the statement of activities unless the income is donor restricted.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost or, if donated, at fair value on the date donated. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

| | |
|------------------------|--------------|
| Leasehold improvements | 5 - 15 years |
| Furniture | 5 - 7 years |
| Office equipment | 5 - 7 years |
| Vehicles | 5 - 7 years |

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized. SONE maintains a capitalization policy of \$2,500.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the long-lived assets are placed in service.

Refundable Advances

Refundable advances consist of cash received in advance of SONE incurring allowable qualifying grant expenses for future program activities and a right of return of funds based upon the grantor's review of certain qualifying criteria.

Donor Restricted Contributions

Unconditional promises to give cash and other assets to SONE are reported at fair value at the date the promise is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements. SONE records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met and the gift becomes unconditional. Certain grants are conditioned upon the incurrence of allowable qualifying expenses and are recognized revenue without donor restrictions as the qualifying expense is incurred. In 2023 and 2022, SONE was awarded grants in the amount of \$718,800 and \$580,100, respectively, that are being recognized as revenue without donor restrictions as qualifying expenses are incurred. For the years ended December 31, 2023 and 2022, revenue of \$532,700 and \$506,400, respectively, was recognized pursuant to the grant agreements.

Indications of intentions to give are not recognized until the cash or other assets are received. SONE has received intentions to give of \$500,800 and \$137,696 as of December 31, 2023 and 2022, respectively. The intentions to give have not been recognized as assets or contribution revenue in the accompanying financial statements.

Contributions of Nonfinancial Assets

SONE receives services, equipment and facilities donated by volunteers and organizations interested in SONE's programs. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When the value of donated services is ascertainable, they are reflected at fair value in the statement of activities as revenue and expenses. See Note 11 for details of contributions of nonfinancial assets received during the years ended December 31, 2023 and 2022. SONE also received donated volunteer services to benefit existing programs and activities. These contributions were not recognized as revenue in the statement of activities since they did not meet the recognition requirements in FASB ASC Topic 958.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. SONE allocates salaries and related benefits based on an estimate of employee time spent. SONE allocates occupancy expenses on a weighted average of employee time spent and square footage, and other expenses are allocated by time and effort or are directly assigned to a functional classification.

Advertising Costs

Advertising costs are expensed as incurred and were \$26,202 and \$34,305 during the years ended December 31, 2023 and 2022, respectively.

Income Taxes

SONE is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain SONE's tax exempt status.

Comparative Amounts

The amounts shown for 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023, and are not intended to present all information necessary for a fair presentation of the 2022 financial statements in conformity with GAAP.

Subsequent Events

SONE considered events occurring through April 26, 2024 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Note 2 - Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to amounts shown in the statement of cash flows is as follows:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 121,780 | \$ 145,333 |
| Cash restricted for term endowment | 94,396 | 96,328 |
| Total cash, cash equivalents, and restricted cash | <u>\$ 216,176</u> | <u>\$ 241,661</u> |

Amounts included in cash restricted for term endowment include cash received with donor-imposed restrictions that limit the use of the cash to long-term purposes.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 121,780 | \$ 145,333 |
| Investments | 1,476,247 | 1,294,936 |
| Accounts receivable | 1,577 | - |
| Grants receivable | 25,910 | 21,816 |
| Employee retention tax credit receivable | 320,943 | - |
| Beneficial interest in charitable trust | - | 94,767 |
| Cash restricted for term endowment | 94,396 | 96,328 |
| Investments restricted for term endowment | <u>3,009,844</u> | <u>2,990,532</u> |
| Total financial assets | 5,050,697 | 4,643,712 |
| Less financial assets not available for general expenditure within one year | | |
| Net assets with donor restrictions | <u>3,104,240</u> | <u>3,181,627</u> |
| Financial assets available to meet general expenditures | <u>\$ 1,946,457</u> | <u>\$ 1,462,085</u> |

SONE's endowment funds are donor-restricted endowments. A committee that includes the donor meets 4-5 times a year to review and approve specific expenditures. Donor-restricted endowment funds are not available for general expenditure. As part of SONE's liquidity management plan, SONE occasionally invests large cash balances that are not immediately needed for operations. SONE also has a line of credit available to meet short-term needs. See Note 6 for information about this arrangement.

Note 4 - Fair Value

SONE applies FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that SONE has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, through either corroboration or observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Therefore, unobservable inputs shall reflect SONE's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The level in the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Beneficial interest in charitable trust – The valuation of the beneficial interest in charitable trust is classified as level 3 as there are no significant observable inputs, as they trade infrequently or not at all. The trust valuation is based on assumptions about the present value of distributions to be received from the trust, which generally include the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust discounted for present value using market rates.

Cash and cash equivalents– Cash and cash equivalents are recorded at cost.

Fixed income – Fixed income securities are comprised of U.S. Treasury notes and corporate bonds. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable SONE to obtain pricing information on an ongoing basis. The valuation of corporate bonds are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Stocks –Traded on a national securities exchange and valued at the latest quoted market prices.

Mutual funds and ETF's – The fair value of mutual funds and ETF's are classified as Level 1 as the market values are based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Special Olympics Nebraska, Inc.

Notes to Financial Statements

December 31, 2023 with Comparative Totals for the Year Ended December 31, 2022

The following table presents the balances of assets measured at fair value on a recurring basis, except for cash and cash equivalents, at December 31, 2023 and 2022:

| | 2023 | | | Total |
|---|---------------------|-------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash and cash equivalents, at cost | \$ - | \$ - | \$ - | 778,810 |
| Fixed income | | | | |
| Corporate bonds | - | 123,075 | - | 123,075 |
| Agency bonds | - | 71,843 | - | 71,843 |
| U.S. Treasury notes | 208,805 | - | - | 208,805 |
| Stocks | | | | |
| Domestic common | 1,654,992 | - | - | 1,654,992 |
| Foreign common | 95,252 | - | - | 95,252 |
| Mutual funds and ETF's | | | | |
| Equity | 769,063 | - | - | 769,063 |
| Fixed income | 746,704 | - | - | 746,704 |
| Real estate | 37,547 | - | - | 37,547 |
| Investments | <u>\$ 3,512,363</u> | <u>\$ 194,918</u> | <u>\$ -</u> | <u>\$ 4,486,091</u> |
| | | | | |
| | 2022 | | | Total |
| | Level 1 | Level 2 | Level 3 | Total |
| Beneficial interest in charitable trust | \$ - | \$ - | \$ 94,767 | \$ 94,767 |
| Cash and cash equivalents, at cost | \$ - | \$ - | \$ - | \$ 173,727 |
| Fixed income | | | | |
| Corporate bonds | - | 195,722 | - | 195,722 |
| Agency bonds | - | 70,711 | - | 70,711 |
| U.S. Treasury notes | 203,965 | - | - | 203,965 |
| Stocks | | | | |
| Domestic common | 2,159,502 | - | - | 2,159,502 |
| Foreign common | 123,433 | - | - | 123,433 |
| Mutual funds and ETF's | | | | |
| Equity | 602,514 | - | - | 602,514 |
| Fixed income | 683,971 | - | - | 683,971 |
| Real estate | 71,923 | - | - | 71,923 |
| Investments | <u>\$ 3,845,308</u> | <u>\$ 266,433</u> | <u>\$ -</u> | <u>\$ 4,285,468</u> |

There were no purchases, issues or transfers into or out of assets measured at fair value on a recurring basis using level 3 inputs for the years ended December 31, 2023 and 2022. The asset balance changed as a result of termination of the charitable trust and distribution of the representative share of the underlying assets to SONE.

Note 5 - Property and Equipment

A summary of property and equipment at December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|-------------------------------|-----------|-----------|
| Leasehold improvements | \$ 36,649 | \$ 36,649 |
| Furniture | - | 2,136 |
| Office equipment | 36,084 | 9,860 |
| Vehicles | 86,101 | 86,101 |
| | 158,834 | 134,746 |
| Less accumulated depreciation | 102,179 | 103,015 |
| Property and equipment, net | \$ 56,655 | \$ 31,731 |

Depreciation expense of \$11,160 in 2023 and \$4,383 in 2022, is included in the statement of activities.

Note 6 - Line of Credit

SONE's financing arrangement consists of a \$100,000 revolving bank line of credit with interest at the prime rate plus 1.00% as published in the Wall Street Journal (8.50% at December 31, 2023) subject to a 4.25% floor and payable monthly. The line matures in April 1, 2024. Subsequent to December 31, 2023, the line of credit maturity date was extended to April 1, 2025 with the same terms.

Note 7 - Leases

SONE leases office space and a vehicle and certain office equipment under non-cancellable operating leases with unrelated parties, which expire at various dates through September 2027. SONE included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The office space lease provides for increases in future minimum annual rental payments. Normal maintenance, insurance and other expenses are the responsibility of SONE.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, SONE estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using SONE's applicable borrowing rates and the contractual lease term.

The weighted average remaining lease term and discount rate as of December 31, 2023 were 1.28 years and 5.90%, respectively.

The total minimum lease payments under noncancelable operating leases with terms greater than one year are due as follows as of December 31, 2023:

| | |
|----------------------------------|------------------|
| 2024 | \$ 56,302 |
| 2025 | 5,068 |
| Less interest | <u>(1,226)</u> |
| Present value of lease liability | <u>\$ 60,144</u> |

Total lease expense included in the statement of activities under these leases for the years ended December 31, 2023 and 2022 was \$64,194 and \$85,642, respectively.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Subject to the passage of time | | |
| Beneficial interests in charitable trusts held by others | \$ - | \$ 94,767 |
| Subject to the passage of time and term endowment spending policy and appropriation | | |
| Term endowment for programs | 3,072,307 | 3,054,241 |
| Term endowment for Lincoln Shark's Special Olympic Team | <u>31,933</u> | <u>32,619</u> |
| Total endowments | <u>3,104,240</u> | <u>3,086,860</u> |
| Total net assets with donor restrictions | <u>\$ 3,104,240</u> | <u>\$ 3,181,627</u> |

Note 9 - Endowments

SONE holds term endowment funds for support of its programs and operations. As required by GAAP, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SONE classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. SONE classifies the original gift of donor-restricted term endowment funds as net assets with donor restrictions. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with the spending policy stipulated by SONE or by the applicable donor gift agreement in a manner consistent with the standard of prudence prescribed by NUPMIFA.

Special Olympics Nebraska, Inc.

Notes to Financial Statements

December 31, 2023 with Comparative Totals for the Year Ended December 31, 2022

At December 31, 2023 there is \$131,933 of cash recorded as restricted for term endowment on the statement of financial position. The \$131,933 represents the remaining balance from the endowment's 2023 yearly distribution which SONE did not spend all during 2023 and instead is planning on spending the funds in 2024.

In accordance with NUPMIFA, SONE 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 SONE 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 SONE.
7. The investment policies of SONE.

The composition of endowment net assets by type of fund is as follows at December 31, 2023 and 2022:

| | 2023 | | |
|---------------------------------------|------------------------------|---------------------------|--------------|
| | Without Donor Restriction | With Donor Restriction | Total |
| Donor-restricted term endowment funds | \$ - | \$ 3,104,240 | \$ 3,104,240 |

| | 2022 | | |
|---------------------------------------|------------------------------|---------------------------|--------------|
| | Without Donor Restriction | With Donor Restriction | Total |
| Donor-restricted term endowment funds | \$ - | \$ 3,086,860 | \$ 3,086,860 |

The changes in endowment net assets for the years ended December 31, 2023 are as follows:

| | 2023 | | |
|---|------------------------------|---------------------------|--------------|
| | Without Donor Restriction | With Donor Restriction | Total |
| Endowment net assets, beginning of year | \$ - | \$ 3,086,860 | \$ 3,086,860 |
| Investment return | | | |
| Interest and dividends, net | - | 58,949 | 58,949 |
| Net depreciation (realized and unrealized) | - | 60,652 | 60,652 |
| Total investment return | - | 119,601 | 119,601 |
| Contributions | - | 25 | 25 |
| Appropriations of endowment assets for expenditure | - | (102,246) | (102,246) |
| Endowment net assets, end of year | \$ - | \$ 3,104,240 | \$ 3,104,240 |

Special Olympics Nebraska, Inc.

Notes to Financial Statements

December 31, 2023 with Comparative Totals for the Year Ended December 31, 2022

The changes in endowment net assets for the year ended December 31, 2022 are as follows:

| | 2022 | | |
|---|------------------------------|---------------------------|---------------------|
| | Without Donor Restriction | With Donor Restriction | Total |
| Endowment net assets, beginning of year | \$ - | \$ 3,462,382 | \$ 3,462,382 |
| Investment return | | | |
| Interest and dividends, net | - | 48,499 | 48,499 |
| Net appreciation (realized and unrealized) | - | (334,263) | (334,263) |
| Total investment return | - | (285,764) | (285,764) |
| Appropriations of endowment assets for expenditure | - | (89,758) | (89,758) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 3,086,860</u> | <u>\$ 3,086,860</u> |

Return Objectives and Risk Parameters

SONE has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy the endowment assets are invested in a manner that preserves the capital while generating a positive total return sufficient to provide income to SONE in a reasonable amount determined annually by the Board. The total returns over long periods of time are primarily achieved through capital appreciation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective of preserving endowment funds, SONE relies on a total return strategy in which investment returns are achieved primarily through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SONE targets a diversified asset allocation that requires a minimum of 30% for fixed income securities and a maximum of 70% for equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

SONE preserves the value of the original gift as of the gift date of donor-restricted term endowments absent explicit donor stipulations stated in the gift agreements. Interest, dividends and net appreciation of the donor-restricted term endowment funds are deemed appropriated for expenditure when approved for distribution by the Board in accordance with the donor gift agreements.

Per the donor's request, a governing committee, made up of employees of SONE and coaches of various SONE teams, was chosen whose responsibility is to administer the funds. Every five years, commencing January 2020, the program shall be reviewed by the committee and on a vote of 100% of the members, the committee may change how the funds are to be used and whether to retain the principal of the fund or not.

The spending policy on income earned on current term-endowment funds was established by donor agreements. The agreements set the payout rate at 4% of the initial fund each year, or based upon committee request, more than 4% if the income exceeds the 4% payout rate. Earnings in excess of the payout rate are held as net assets with donor restrictions until appropriated.

Note 10 - Contributions of Nonfinancial Assets

During the years ended December 31, 2023 and 2022, SONE received contributions without donor restrictions as follows:

| | 2023 | 2022 |
|-----------------------------|------------------|------------------|
| Advertising | \$ 26,163 | \$ 21,338 |
| Event goods and services | 2,190 | 1,850 |
| Lodging | 33,263 | 18,240 |
| Total in-kind contributions | <u>\$ 61,616</u> | <u>\$ 41,428</u> |

The value of advertising and lodging provided was calculated by the donors based on the market value of the services and supplies provided. The value of event goods and services provided was calculated by the market value of the good and a pay rate of \$20 per game for all referees during the fall and spring games. During the years ended December 31, 2023 and 2022, the event goods and services and lodging were used for the Summer and Fall games and the Big Red Raffle. The advertising services were used for the Law Enforcement Torch Run and Polar Plunge – Omaha.

Note 11 - Employee Benefit Plan

SONE has a defined contribution plan which is available to its employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. SONE matches contributions made by the employees from a minimum of 1% to a maximum of 3% of participant's base salary. Employees are immediately 100% vested in all matching or discretionary contributions made by SONE. Expense for the program for the years ended December 31, 2023 and 2022 was \$16,355 and \$16,819, respectively.

Note 12 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from \$10,000 in 2020 to \$21,000 in 2021.

During the year ended December 31, 2023, SONE recorded a \$320,943 benefit related to the credit which is included in the statement of activities as grant income.

SONE has elected to account for the credits by applying FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition. Under this method, SONE records contribution revenue when the contribution is deemed to be unconditional, that is, when there are no longer measurable performance or other barriers and a right of return or release from obligation to pay the contribution. Management has determined that the credit contribution revenue is unconditional.

Note 13 - Concentrations, Risks, and Uncertainties

SONE routinely invests its funds in stocks, corporate bonds, U.S. Treasury notes, and fixed income and equity mutual funds. Investment in these funds is not entirely insured or guaranteed; however, management believes that credit risk related to these investments is minimal.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.