

SPECIAL OLYMPICS OREGON, INC.

Financial Statements

For the Year Ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors
Special Olympics Oregon, Inc.
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Oregon, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinion

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

Report on Summarized Comparative Information

We have previously audited Special Olympics Oregon, Inc. 2017 financial statements, and we expressed an unqualified opinion on those financial statements in our report dated October 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Richard Winkel, CPA". The signature is written in a cursive, slightly slanted style.

Richard Winkel, CPA
April 25, 2019

SPECIAL OLYMPICS OREGON, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Comparative Totals For December 31, 2017)

	2018	2017
ASSETS		
Current assets:		
Cash	\$ 485,576	\$ 147,836
Grants and contributions receivable short-term, net	240,874	257,766
Prepaid expenses and other assets	15,943	33,926
Total current assets	742,393	439,528
Grants and contributions receivable long-term, net	581,585	812,872
Investments in certificates of deposit	51,440	51,415
Beneficial interest in a charitable trust held by others	295,874	305,642
Capital assets, net of depreciation	50,769	32,788
Total assets	\$ 1,722,061	\$ 1,642,245
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Line of credit	\$ -	\$ 1,000,000
Notes payable - current portion	174,367	-
Accounts payable, trade	215,709	1,055,451
Accrued payroll	14,500	3,990
Demand promissory note	490,000	-
Accrued interest payable	3,740	-
Deferred revenue	3,500	-
Total current liabilities	901,816	2,059,441
Notes payable - long-term portion	245,882	-
Total liabilities	1,147,698	2,059,441
Net assets:		
Without restrictions	(608,059)	(2,190,942)
With restrictions	1,182,422	1,773,746
Total net assets (deficit)	574,363	(417,196)
Total liabilities and net assets	\$ 1,722,061	\$ 1,642,245

The accompanying notes are an integral part of these financial statements

SPECIAL OLYMPICS OREGON, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018
(With Comparative Totals For the Year Ended December 31, 2017)

	Without Restrictions	With Restrictions	2018 Total	2017
Grants and contributions	\$ 3,128,691	\$ 705,720	\$ 3,834,411	\$ 2,675,501
Special events, less direct costs of \$176,276	325,120	-	325,120	339,019
In-kind contributions	2,494,017	-	2,494,017	3,688,236
Net change in carrying value of a charitable trust	-	(9,768)	(9,768)	49,540
Merchandise sales and other	-	25	25	57
Release from restrictions	1,287,301	(1,287,301)	-	-
Total revenues	7,235,129	(591,324)	6,643,805	6,752,353
Program services	4,029,680	-	4,029,680	6,700,468
Fundraising	902,908	-	902,908	1,040,064
Management and general	719,658	-	719,658	373,314
Total expenses	5,652,246	-	5,652,246	8,113,846
Change in net assets	1,582,883	(591,324)	991,559	(1,361,493)
Net assets at beginning year	(2,190,942)	1,773,746	(417,196)	944,297
Net assets at end of year	\$ (608,059)	\$ 1,182,422	\$ 574,363	\$ (417,196)

The accompanying notes are an integral part of these financial statements

SPECIAL OLYMPICS OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(With Comparative Totals For the Year Ended December 31, 2017)

	2018			2018 Total	2017
	Program Services	Fundraising	Management and General		
Salaries and related costs	\$ 850,109	\$ 558,604	\$ 376,254	\$ 1,784,967	\$ 2,108,677
Competition and training	750,597	4,455	-	755,052	1,283,430
Volunteer services	2,246,977	-	-	2,246,977	3,688,236
Professional services	37,850	38,803	146,376	223,029	440,817
Occupancy	62,576	33,232	71,816	167,624	166,392
Supplies and equipment	673	263	9,642	10,578	22,939
Office expenses	595	1,266	9,507	11,368	18,814
Postage and printing	3,854	2,362	17,051	23,267	40,309
Travel	3,428	2,254	19,221	24,903	20,324
Special events promotion	-	231,654	-	231,654	127,732
National accreditation fees	44,516	-	-	44,516	64,623
Insurance	5,394	3,544	2,387	11,325	31,371
Interest and bank fees	9,623	16,104	58,241	83,968	58,776
Bad debt	-	2,091	5,702	7,793	-
Depreciation	13,488	8,276	3,461	25,225	41,406
Total expenses	\$ 4,029,680	\$ 902,908	\$ 719,658	\$ 5,652,246	\$ 8,113,846

The accompanying notes are an integral part of these financial statements

SPECIAL OLYMPICS OREGON, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(With Comparative Totals For the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from grants and contributions	\$ 3,401,897	\$ 3,421,798
Cash received from special events	325,120	339,019
Cash received from other sources	-	5
Cash paid to employees, suppliers, and others	(3,247,216)	(4,020,114)
Net cash provided by (used in) operating activities	479,801	(259,292)
Cash flows from investing activities:		
Purchase of capital assets	(43,206)	-
Net cash provided by (used in) investing activities	(43,206)	-
Cash flows from financing activities:		
Proceeds from line of credit	-	843,768
Payments on line of credit	(10,000)	(495,000)
Payments on notes payable	(88,855)	-
Net cash provided by (used in) financing activities	(98,855)	348,768
Net increase (decrease) in cash and cash equivalents	337,740	89,476
Cash and cash equivalents at beginning of year	147,836	58,360
Cash and cash equivalents at end of year	\$ 485,576	\$ 147,836
Cash paid for interest	\$ 52,400	\$ 44,871
Supplemental Schedule of Noncash Investing and Financing Activities:		
	2018	2017
Forgiveness of accounts payables	\$ 180,693	\$ -
Forgiveness of line of credit	500,000	-
Conversion of accounts payable into notes payable	509,104	-
Conversion of line of credit into demand note payable	490,000	-

The accompanying notes are an integral part of these financial statements

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE A – ORGANIZATION

Special Olympics Oregon, Inc. (the “Organization”) is a private, non-profit organization founded in Oregon in 1972 to provide year-round sports training and athletic competition in a variety of Olympic-style sports for individuals with intellectual disabilities. The organization provides individuals with continuing opportunities to develop physical fitness, demonstrate courage, experience joy, and participate in a sharing of gifts, skills, and friendship with their families, other Special Olympics athletes, and the community.

Special Olympics Oregon is affiliate with, and accredited by, Special Olympics, Inc., the national organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization 's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. For purposes of the statement of cash flows, the Company considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Investments

Investments consist of certificates of deposit with initial maturities of greater than three months. Interest income is accrued as earned.

Grants and Contributions

Grants and contributions received 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 that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

Contributions of Long-Lived Assets

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Benefits Provided to Donors at Special Events

Special Olympics Oregon conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals, entertainments, and other benefits provided at special events is measured at the actual cost to the organization.

Revenue Recognition

All grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Revenues for services are recognized at the time services are provided and the revenues are earned. Proceeds from fundraising events are recognized as support when the event takes place. Deferred revenue consists of sponsorships and ticket proceeds received for tournaments and fundraising events that will occur after the end of the fiscal year.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Outstanding Legacies

Special Olympics Oregon is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The organization's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Beneficial Interest in a Charitable Trust

Special Olympics Oregon is the remainder beneficiary of a charitable trust in which a donor-designated beneficiary retains a life interest. The assets are invested and administered by an independent trustee, and distributions are made to the beneficiary during the term of the agreement. The funds in the trust are invested in equity and debt securities, and the organization records its beneficial interest in the trust based on estimated future cash receipts. The initial recognition of the gift was reported as a contribution, and subsequent adjustments to the assets' carrying values are reported in the accompanying financial statements as a change in the carrying value of the charitable trust. The beneficial interest is classified as with donor restriction due to the existence of the donor-imposed time restriction.

Advertising Expenses

Advertising and promotional costs are charged to expense as they are incurred.

Endowment Funds and Interpretation of Relevant Law

Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act ("UP-MIFA") which governs Oregon charitable institutions with respect to the management, investment, and expenditure of endowment funds.

The Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the organization to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the organization has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's historic dollar value be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the organization classifies net assets with donor restriction (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation as added to the fund.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net earnings (realized and unrealized) on the investment of endowment assets are classified as with donor restriction if the terms of the gift impose restrictions on the use of the income, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose of time restrictions, if any, imposed by the donor. Any investment return classified as restricted represents only those amounts required to be retained as a result of explicit donor stipulations.

During the year ended December 31, 2018, the organization's Board of Directors did not appropriate any endowment assets for expenditure.

Concentration of Credit Risk

Special Olympics Oregon's financial instruments that are exposed to concentrations of credit risk consist primarily of certificates of deposit. These financial instruments may subject the organization to concentrations of credit risk as, from time to time, balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

Certain receivables may also, from time to time, subject to organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Capital Assets

Capital assets are recorded at cost. When assets are retired or otherwise disposed of, the related carrying value, and accumulated depreciation are removed from their respective accounts and the net difference less any amount realized from disposition is reflected in earnings. Depreciation on furniture and equipment is calculated on the straight line method over the estimated useful lives of the assets, which is generally between 5 and 7 years.

Maintenance and repairs, including the replacement of non-significant items are expensed as incurred, and significant additions to capital assets are capitalized.

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It is management's opinion that none of the Organization's present activities are subject to unrelated business income taxes. Therefore, no provision for income taxes has been recorded in the accompanying financial statements.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Use of 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that were allocated include the following:

Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Office expenses	Time and effort
Insurance	Time and effort

Summarized Financial Information for 2017

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with 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, 2017, from which the summarized information was derived.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 485,576
Endowment fund	51,440
Investment in trust	276,518
Accounts and grants receivable	<u>822,459</u>
Total financial assets	1,635,993
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>1,182,422</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 453,571</u>

NOTE D – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are summarized as follows at December 31, 2018:

Less than 1 year	\$ 240,874
One year to 5 years	409,000
More than 5 years	<u>250,000</u>
	899,874
Less discount	<u>(77,415)</u>
	<u>\$ 822,459</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.63%.

NOTE E – BENEFICIAL INTEREST IN A CHARITABLE TRUST HELD BY OTHERS

Special Olympics Oregon is the beneficiary of a charitable remainder trust established by the will of a donor. Upon the death of the income beneficiary, the organization will receive 50% of the remaining assets of the trust. The trust’s assets are managed by a third-party trustee not affiliated with Special Olympics Oregon. Total trust assets at December 31, 2018 are valued at \$1,829,019. An asset of \$295,874 is recorded at December 31, 2018, representing the actuarially determined present value of the estimated future cash flows that will insure to the organization, using a discount rate of 7.0%.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE F – CAPITAL ASSETS

Major classes of capital assets consist of the following at December 31, 2018:

Software	\$	323,418
Computer equipment		56,096
Leasehold improvements		72,849
Office equipment		32,835
Furniture		22,140
Construction in progress		43,207
		550,545
 Less accumulated depreciation		 (499,776)
	\$	50,769

Depreciation expense for the year ended December 31, 2018 was \$25,225.

NOTE G – DEMAND PROMISSORY NOTE

During the year ended December 31, 2018, the Organization and First Interstate Bank entered into an agreement to discount the outstanding \$1,000,000 balance on the line of credit facility by \$500,000 in exchange for the Organization renegotiating the debt with a private lender and cancellation of the line of credit facility. In September 2018, the Organization entered into a demand promissory note for \$490,000 with a private lender with interest at 2.53% per annum, payable on demand. As the note and all accrued interest are payable on demand, the note is presented as a current liability on the accompanying statement of financial position as of December 31, 2018. In April 2019, the private lender agreed to forgive the \$490,000 outstanding balance on the demand promissory note and all accrued interest (See Notes P and Q).

NOTE H – NOTES PAYABLE

Several vendors that had past due balances agreed to restructure the Organization’s accounts payable into notes payable with very low or no interest rates during 2018. Some of these vendors also forgave a certain amount of accounts payable, totaling \$180,693 of forgiven debt for the year ended December 31, 2018. Aggregate maturities of notes principal for the five years subsequent to December 31, 2018 are as follows:

2019	\$	174,367
2020		124,113
2021		120,534
2022		1,235
		420,249
	\$	420,249

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE I – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions were as follows for the year ended December 31, 2018:

Specific purpose	
Games, competitions, and training	\$ 886,548
Passage of time	
Beneficial interest in charitable trust	<u>295,874</u>
	<u>\$ 1,182,422</u>

At December 31, 2018, the organization held a single donor-restricted endowment fund in the amount of \$51,440, representing \$51,299 as the original value of gifts donated to the endowment and \$141 in accumulated endowment earnings. The investment earnings generated by this endowment can be used for such general, unrestricted purposes as determined by the Board of Directors.

During the year ended December 31, 2018, net assets released from donor restrictions due to satisfaction of purpose restriction were \$1,287,301.

NOTE J – EXPENSES

The costs of providing the various programs and other activities of the organization have been summarized on a functional basis in the statement of functional expenses.

In accordance with generally accepted accounting principles, certain of the organization's fundraising costs qualify as costs of a joint activity (i.e., an activity that combines a fundraising function with one or more program functions), and have been allocated between the fundraising and program categories. During the year ended December 31, 2018, the organization incurred joint costs of \$185,860 through the conduct of telephone solicitation campaigns, of which 22% were allocated to program services and 78% to fundraising.

NOTE K – OPERATING LEASES

Special Olympics Oregon leases its administrative offices under an agreement expiring on December 31, 2018. Subsequent to the lease expiring, the Organization moved into a new office location that was contributed for free until Special Olympics Oregon finds a new office rental.

Total rent expense was \$147,037 for the year ended December 31, 2018 under the terms of these operating leases.

NOTE L – RETIREMENT PLAN

The organization provides all employees who are scheduled to work 30 hours or more each week with a qualified retirement plan, as described under Section 401(k) of the Internal Revenue Code. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their first day of employment. Employees select from among several investment options.

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE M – IN-KIND CONTRIBUTIONS

Special Olympics Oregon receives contributed services from a large number of volunteers who assist in fundraising and program efforts through their participation in a range of activities. In accordance with US GAAP, significant services received that create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities. Such amounts are recorded at their estimated fair value and are reported as contributions and supporting services on the accompanying statement of activities and changes in net assets and statement of functional expenses.

In addition, in-kind contributions of equipment, materials, and the free use of facilities are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization's activities.

Special Olympics Oregon's in-kind contributions for the year ended December 31, 2018 are summarized as follows:

Program services:	
Volunteer services:	
Volunteer certified coaches	\$ 1,451,080
Volunteer local program coordinators and managers	733,680
Professional services	52,317
Free use of facilities	<u>9,900</u>
Total volunteer services	2,246,977
Competition and training:	
Materials and supplies	<u>229,815</u>
Total in-kind program services	2,476,792
Management and general:	
Professional services	<u>17,225</u>
Total in-kind contributions	<u><u>\$ 2,476,762</u></u>

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE N – UNEMPLOYMENT INSURANCE COVERAGE

The organization participates in the Northwest Agencies Trust for funding of unemployment insurance. Use of the Trust is intended to reduce the organization’s unemployment costs. The Trust provides the organization with a program of self-insurance, with stop-loss insurance purchased to cover unusual amounts of unemployment costs. The Trust bills the organization for amounts intended to reach a predetermined reserve level. The assessments, billed quarterly, consider any investment income and adjust for administrative costs, payment to former employees, and insurance payments. During the year ended December 31, 2018, the organization contributed \$56,790 to the Trust, the Trust paid out \$47,141 in benefits and charged \$5,400 in insurance and participation costs.

NOTE O – INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

At December 31, 2018, the beneficial interest in charitable trust held by others is measured at fair value on a recurring basis. This asset is measured at fair value using the information received from the trustee (i.e., level III).

A summary of the change in valuation of this asset during the year ended December 31, 2018 is as follows:

Balance, December 31, 2017	\$ 305,642
Depreciation in value	<u> (9,768)</u>
Balance, December 31, 2018	<u>\$ 295,874</u>

Special Olympics Oregon
Notes to the Financial Statements
December 31, 2018

NOTE P – LIQUIDITY AND GOING CONCERN

The Organization follows the guidance in Accounting Standards Update (“ASU”) No. 2014-15, *Presentation of Financial Statements – Going Concern*, which requires that management assess 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 within one year after the financial statements are issued.

During the year ended December 31, 2018, management executed and completed a dramatic cost reduction plan which included staff downsizing, moving to donated office space and pausing in mission delivery at the local, regional and state level including the Summer and Fall 2018 and Winter 2019 State Games. In addition, management was able to successfully negotiate \$500,000 in debt forgiveness and restructure \$500,000 in additional debt into a callable on-demand note payable (see Note G).

In accordance with ASU No. 2014-15, management has assessed the Organizations financial condition as of December 31, 2018 and has concluded that the Organization is a going concern. This conclusion is based on 2018 financial statements reporting an increase in net assets of \$991,559 and positive cash flows from operating activities of \$479,801. As a result, the Organization’s cumulative net assets without restrictions has decreased from a negative (\$2,190,942) at December 31, 2017 to a negative (\$608,059) at December 31, 2018. In contrast, the Organization’s December 31, 2017 the financial statements reported a net operating loss of (\$1,361,493) and negative cash flows from operating activities of (\$259,292). The Organization’s ability to continue as a going concern is dependent on many factors, including successful efforts to raise additional contributions and grants and successful cost reduction plans.

In April 2019, the demand note payable of \$490,000 was forgiven by the private lender based on management’s efforts in rebuilding the fundraising model and returning to mission delivery. In addition, management is working closely with a consortium of major donors, foundations, and community businesses to continue to provide cash flow relief through 2019. During this time, management is developing and deploying a completely reconfigured revenue model aimed at providing sustainable funding for both mission delivery and operations. In addition, the management is forecasting a slow, measured return to full mission delivery of three seasons of regional and state competitions for multiple sports. The Organization’s leadership is confident these changes will allow the Organization to continue as a going concern in the near term.

The Organization’s financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of operations. The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amounts of liabilities should it be unable to continue as a going concern.

NOTE Q – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 25, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.

On April 19, 2019, the demand note payable of \$490,000 was forgiven by the private lender holding the note.