

SPECIAL OLYMPICS OREGON, INC.

Financial Statements

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Special Olympics Oregon, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Oregon, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditor's 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 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, 2019 and 2018, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Richard Winkel, CPA

Richard Winkel, CPA
May 14, 2020

SPECIAL OLYMPICS OREGON, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,199,474	\$ 485,576
Endowment investment in certificates of deposit	51,968	51,440
Grants and contributions receivable short-term	50,000	240,874
Prepaid expenses and other assets	26,187	15,943
Total current assets	1,327,629	793,833
Grants and contributions receivable long-term, net of discount	396,110	581,585
Beneficial interest in a charitable trust held by others	351,556	295,874
Capital assets, net of depreciation	67,330	50,769
Total assets	\$ 2,142,625	\$ 1,722,061
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable - current portion	\$ 127,351	\$ 174,367
Accounts payable, trade	50,001	215,709
Accrued payroll	26,302	14,500
Demand promissory note	-	490,000
Accrued interest payable	-	3,740
Deferred revenue	15,858	3,500
Total current liabilities	219,289	901,816
Notes payable - long-term portion	133,781	245,882
Total liabilities	353,293	1,147,698
Net assets:		
Without donor restrictions	249,137	(608,059)
With donor restrictions	1,540,195	1,182,422
Total net assets	1,789,332	574,363
Total liabilities and net assets	\$ 2,142,625	\$ 1,722,061

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Grants and contributions	\$ 1,577,922	\$ 1,304,457	\$ 2,882,379
Forgiveness of debt	554,925	-	554,925
Special events	415,286	-	415,286
In-kind contributions	1,559,080	-	1,559,080
Net change in carrying value of a charitable trust	-	55,682	55,682
Interest income and other revenues	554	-	554
	<u>4,107,767</u>	<u>1,360,139</u>	<u>5,467,906</u>
Release from restrictions	<u>1,002,366</u>	<u>(1,002,366)</u>	<u>-</u>
Total revenues	5,110,133	357,773	5,467,906
Program services	2,793,638	-	2,793,638
Management and general	785,535	-	785,535
Fundraising	<u>673,764</u>	<u>-</u>	<u>673,764</u>
Total expenses	<u>4,252,937</u>	<u>-</u>	<u>4,252,937</u>
Change in net assets	<u>857,196</u>	<u>357,773</u>	<u>1,214,969</u>
Net assets at beginning year	<u>(608,059)</u>	<u>1,182,422</u>	<u>574,363</u>
Net assets at end of year	<u><u>\$ 249,137</u></u>	<u><u>\$ 1,540,195</u></u>	<u><u>\$ 1,789,332</u></u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Grants and contributions	\$ 2,447,998	\$ 705,720	\$ 3,153,718
Forgiveness of debt	680,693	-	680,693
Special events	501,396	-	501,396
In-kind contributions	2,494,017	-	2,494,017
Net change in carrying value of a charitable trust	-	(9,768)	(9,768)
Interest income and other revenues	25	-	25
	<u>6,124,129</u>	<u>695,952</u>	<u>6,820,081</u>
Release from restrictions	<u>1,287,276</u>	<u>(1,287,276)</u>	<u>-</u>
Total revenues	7,411,405	(591,324)	6,820,081
Program services	4,029,680	-	4,029,680
Management and general	719,658	-	719,658
Fundraising	<u>1,079,184</u>	<u>-</u>	<u>1,079,184</u>
Total expenses	<u>5,828,522</u>	<u>-</u>	<u>5,828,522</u>
Change in net assets	<u>1,582,883</u>	<u>(591,324)</u>	<u>991,559</u>
Net assets at beginning year	<u>(2,190,942)</u>	<u>1,773,746</u>	<u>(417,196)</u>
Net assets at end of year	<u>\$ (608,059)</u>	<u>\$ 1,182,422</u>	<u>\$ 574,363</u>

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, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and related costs	\$ 535,881	\$ 243,588	\$ 358,014	\$ 1,137,483
Competition and training	689,375	858	500	690,733
Volunteer services	1,382,008	-	-	1,382,008
Professional services	6,755	154,666	2,487	163,908
Occupancy	36,504	16,593	24,388	77,485
Supplies and equipment	8,179	3,717	5,463	17,359
Office expenses	4,461	2,028	2,980	9,469
Postage and printing	3,168	5,777	2,353	11,298
Travel	20,226	5,893	9,488	35,607
Special events	-	-	247,322	247,322
National accreditation fees	75,995	-	-	75,995
Insurance	5,605	7,093	10,425	33,123
Interest and bank fees	5,144	2,338	3,437	10,919
Bad debt	-	338,285	-	338,285
Depreciation	10,338	4,699	6,907	21,944
Total expenses	\$ 2,793,638	\$ 785,535	\$ 673,764	\$ 4,252,937

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

	Program Services	Management and General	Fundraising	Total
Salaries and related costs	\$ 850,109	\$ 376,254	\$ 558,604	\$ 1,784,967
Competition and training	750,597	-	4,455	755,052
Volunteer services	2,246,977	-	-	2,246,977
Professional services	37,850	146,376	38,803	223,029
Occupancy	62,576	71,816	33,232	167,624
Supplies and equipment	673	9,642	263	10,578
Office expenses	595	9,507	1,266	11,368
Postage and printing	3,854	17,051	2,362	23,267
Travel	3,428	19,221	2,254	24,903
Special events promotion	-	-	407,930	407,930
National accreditation fees	44,516	-	-	44,516
Insurance	5,394	2,387	3,544	11,325
Interest and bank fees	9,623	58,241	16,104	83,968
Bad debt	-	5,702	2,091	7,793
Depreciation	13,488	3,461	8,276	25,225
Total expenses	\$ 4,029,680	\$ 719,658	\$ 1,079,184	\$ 5,828,522

The accompanying notes are an integral part of these financial statements

SPECIAL OLYMPICS OREGON, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from contributions and grants	\$ 3,258,728	\$ 3,401,897
Cash received from special events	233,330	325,120
Cash received from other sources	26	-
Cash paid to employees, suppliers, and others	(2,512,860)	(3,247,216)
Net cash provided by operating activities	979,224	479,801
Cash flows from investing activities:		
Purchase of capital assets	(38,505)	(43,206)
Net cash used in investing activities	(38,505)	(43,206)
Cash flows from financing activities:		
Payments on line of credit	-	(10,000)
Payments on notes payable	(226,821)	(88,855)
Net cash used in financing activities	(226,821)	(98,855)
Net increase in cash and cash equivalents	713,898	337,740
Cash and cash equivalents at beginning of year	485,576	147,836
Cash and cash equivalents at end of year	\$ 1,199,474	\$ 485,576
Cash paid for interest	\$ 1,689	\$ 52,400
Supplemental Schedule of Non-Cash Activities:		
Forgiveness of accounts payable	\$ 28,686	\$ 180,693
Forgiveness of line of credit	-	500,000
Forgiveness of interest payable	6,839	-
Forgiveness of notes payable	519,400	-
Conversion of accounts payable into notes payable	97,104	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, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE A – ORGANIZATION

Special Olympics Oregon, Inc. (the “Organization”) is a private, non-profit organization founded in Oregon in 1968 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 affiliated 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 Organization considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. Cash balances of \$841,303 were in excess of FDIC insurance limits at December 31, 2019.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Grants and contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Contributions of Long-Lived Assets

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the without donor restrictions net asset class. Contributions of cash or other assets to be used to acquire equipment with such donor stipulations are reported as revenues of the with donor restrictions net asset class, the restrictions are considered to be released at the time of acquisition of such long-lived assets.

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

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, Inc.
Notes to the Financial Statements
December 31, 2019 and 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 restrictions 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

The Organization has adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 as net assets with 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 is added to the fund.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net earnings (realized and unrealized) on the investment of endowment assets are classified as restricted 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.

Concentration 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.

Certain receivables may also, from time to time, subject the 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 capital assets is calculated on the straight line method over the following estimated useful lives of the assets:

Software	5 years
Computer equipment	3-5 years
Leasehold improvements	5 years
Office equipment	3-5 years
Furniture	3-5 years

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

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.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Organization follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

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

New Accounting Pronouncement

The Organization implemented FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

Prior Year Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE C – AVAILABILITY AND LIQUIDITY

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization’s cash needs are expected to be met on a monthly basis from regular revenue sources. In general, the Organization maintains sufficient financial assets on hand to meet normal operating expenditures and to reserve for future needs.

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

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 1,199,474	\$ 485,576
Endowment fund	51,968	51,440
Investment in trust	351,556	276,518
Grants receivable	446,110	822,459
 Total financial assets	 2,049,108	 1,635,993
 Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,540,195)	(1,182,422)
Current portion of notes payable	(127,351)	(174,367)
 Financial assets available to meet general expenditures over the next twelve months	 \$ 381,562	 \$ 279,204

NOTE D – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	2019	2018
Less than 1 year	\$ 50,000	\$ 240,874
One year to 5 years	250,000	409,000
More than 5 years	200,000	250,000
	500,000	899,874
Less discount	(53,890)	(77,415)
	 \$ 446,110	 \$ 822,459

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%.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE D – GRANTS AND CONTRIBUTIONS RECEIVABLE (Continued)

During the year ended December 31, 2019 the Organization was notified by two foundations that they would not fulfill the pledges they had made in prior years. Consequently, approximately \$317,000 was written off as bad debt during the year.

NOTE E – FAIR VALUE MEASUREMENTS

FASB ASC Topic 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.

NOTE F – INVESTMENT IN ENDOWMENT

The endowment is invested in a certificate of deposit which has a twelve-month term maturing in September 2020 and earns interest at 0.15%. The certificate of deposit had a fair value of \$51,968 and \$51,440 at December 31, 2019 and 2018, respectively.

The endowment investment has an original gift value of \$51,299 and accumulated earnings of \$699 and \$141 at December 31, 2019 and 2018, respectively. Interest income on the endowment investment was \$528 and \$25 during the years ended December 31, 2019 and 2018, respectively. The investment earnings generated by this endowment can be used for such general, unrestricted purposes as determined by the Board of Directors. During the years ended December 31, 2019 and 2018, the Organization's Board of Directors did not appropriate any endowment assets for expenditure.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE G – 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 are valued at \$2,064,563 and \$1,829,019 at December 31, 2019 and 2018, respectively. An asset of \$351,556 and \$295,874 is recorded at December 31, 2019 and 2018, respectively, representing the actuarially determined present value of the estimated future cash flows using a discount rate of 7.0%. This investment is considered to be a Level III investment in the fair value hierarchy.

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

	2019	2018
Beginning of year	\$ 295,874	\$ 305,642
Appreciation (depreciation) in value	55,682	(9,768)
End of year	\$ 351,556	\$ 295,874

NOTE H – CAPITAL ASSETS

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

	2019	2018
Software	\$ 323,418	\$ 323,418
Computer equipment	121,541	56,096
Leasehold improvements	83,273	72,849
Office equipment	32,835	32,835
Furniture	27,983	22,140
Construction in process	-	43,207
	589,050	550,545
Less accumulated depreciation	(521,720)	(499,776)
	\$ 67,330	\$ 50,769

Depreciation expense was \$21,944 and \$25,225 for the years ended December 31, 2019 and 2018, respectively.

Special Olympics Oregon, Inc.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE I – 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. In April 2019, the private lender agreed to forgive the \$490,000 outstanding balance and \$6,839 outstanding interest on the demand promissory note and all accrued interest.

NOTE J – NOTES PAYABLE

The Organization and a vendor agreed to convert \$60,000 of accounts payable into a note payable on January 11, 2019 for a term of twelve months with no interest. The debtor then forgave \$29,400 of the outstanding note payable balance and the Organization paid off the remaining debt by December 31, 2019.

The Organization has the following notes payable at December 31:

	2019	2018
Note payable to an organization requiring monthly payments of \$5,300 with 0% interest and no collateral, note matures in December 2021	\$ 121,900	\$ 190,800
Note payable to an organization requiring monthly payments of \$472 including interest at 1.95% and no collateral, note matures in December 2021.	10,647	16,047
Note payable to an organization requiring monthly payments of \$1,237 including interest at 1.95% and no collateral, note matures in December 2021.	30,017	57,620
Note payable to an organization requiring monthly payments of \$3,094 with 0% interest and no collateral, note matures in December 2021.	68,070	111,386
Note payable to a bank requiring monthly payments of \$705 including interest at 6.10% and no collateral, note matures in December 2023.	30,498	-
Various short term notes payable to vendors requiring monthly payments with 0% interest and no collateral, notes mature in December 2019.	-	44,396
	261,132	420,249
Less current portion	(127,351)	(174,367)
Long-term portion of notes payable	\$ 133,781	\$ 245,882

Special Olympics Oregon, Inc.
Notes to the Financial Statements
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NOTE J – NOTES PAYABLE (Continued)

Aggregate maturities of notes principal for the five years subsequent to December 31, 2019 are as follows:

2020	\$	127,351
2021		117,283
2022		7,666
2023		<u>8,832</u>
	\$	<u>261,132</u>

NOTE K – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions were as follows at December 31:

	<u>2019</u>	<u>2018</u>
Specific purpose		
Games, competitions, and training	\$ 1,136,671	\$ 835,108
Passage of time		
Endowment investment	51,968	51,440
Beneficial interest in charitable trust	<u>351,556</u>	<u>295,874</u>
	<u>\$ 1,540,195</u>	<u>\$ 1,182,422</u>

The Organization released net assets from donor restrictions due to satisfaction of purpose restriction of \$1,002,366 and \$1,287,276 during the years ended December 31, 2019 and 2018, respectively.

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.

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NOTE M – OPERATING LEASES

Special Olympics Oregon leases its administrative offices under an agreement expiring in July 2024. The Organization was provided with four months of free rent during the year ended December 31, 2019. Future minimum payments under the operating leases are as follows:

<u>Year Ending March 31,</u>		
2020	\$	48,059
2021		49,501
2022		50,986
2023		52,515
2024		<u>31,388</u>
	\$	<u><u>232,449</u></u>

Total rent expense was \$19,584 for the year ended December 31, 2019 under the terms of this operating lease. During the year ended December 31, 2018 total rent expense under a different operating lease was \$147,037.

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, 2019, the Organization contributed \$87,008 to the Trust, the Trust paid out \$80,442 in benefits and charged \$5,043 in insurance and participation costs. 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 – IN-KIND CONTRIBUTIONS

Special Olympics Oregon receives contributed services from a large number of volunteers who assist in program efforts through their participation in a range of activities. In accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, 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.

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.

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NOTE O – IN-KIND CONTRIBUTIONS (Continued)

Special Olympics Oregon’s in-kind contributions for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Program services:		
Volunteer services		
Volunteer certified coaches	\$ 895,176	\$ 1,451,080
Volunteer local program coordinators and managers	474,800	733,680
Professional services	4,198	52,317
Free use of facilities	7,834	9,900
Total volunteer services	1,382,008	2,246,977
Competition and training:		
Materials and supplies	174,072	229,815
Total in-kind program services	1,556,080	2,476,792
Management and general:		
Professional services	3,000	17,225
Total in-kind contributions	\$ 1,559,080	\$ 2,494,017

NOTE P – BUSINESS CONDITIONS, MANAGEMENT PLANS AND UNCERTAINTIES

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.

During the year ended December 31, 2019, management continued to refine and further implement its cost reduction strategies including consolidating operations into one facility, closely monitoring expense levels, and conserving cash flow. To accomplish its plan, management also worked closely with a consortium of major donors, foundations, and community businesses to secure cash flow relief through 2019. In April 2019, based on management’s efforts towards rebuilding its fundraising model and returning to a sustainable level of mission delivery, a demand note payable of \$490,000 was forgiven by the private lender. In addition, in February of 2020, a group of donors released the donor imposed restrictions on \$750,000 in funds remaining in a relief fund established in late 2018.

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NOTE P – BUSINESS CONDITIONS, MANAGEMENT PLANS AND UNCERTAINTIES (Continued)

For 2020, management is continuing to work on the development and deployment of a completely reconfigured revenue model. This new funding model consists of implementing a diversified strategy which includes increasing national and local donations, developing support through philanthropic and corporate foundations, maximizing fundraising events, and creating strategic corporate partnerships and programs. Management is committed to stabilizing the revenue model before it pursues growth in mission delivery. As a result, for 2020 management is continuing to forecast a slow, measured return to full mission delivery of three seasons comprised of multiple sports which culminate in local and regional competitions.

The Organization's ability to ultimately return to full mission delivery is dependent on many factors including successful efforts to build a sustainable revenue model, minimizing expenses, and ensuring sufficient cash reserves to fully fund mission delivery commitments, as well as meet unforeseen economic events.

NOTE Q – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 14, 2020, 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, 2019.

Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.