

SPECIAL OLYMPICS OREGON, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2022



**Special
Olympics**
Oregon

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

**SPECIAL OLYMPICS OREGON, INC.
FINANCIAL STATEMENTS**

Year Ended December 31, 2022

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CEO Letter for 2022 Audit

After two years of navigating through COVID-19, everyone at Special Olympics Oregon (SOOR) was delighted that 2022 included a safe return to in-person sports in our community-based programs across the state for children and adults living with intellectual disabilities. Throughout the Winter, we worked with our national organization and our SOOR Return to Activities Task Force comprised of staff, board members, key volunteers, health experts, and athletes to ensure we were successful in getting athletes safely back to the sports they love and benefit so deeply from.

Our Unified Champion Schools programming followed school policies and as part, returned to activities much sooner. By Summer, we were ready to go with our Local Programs (that are in every county across the state and operated by volunteers), and it was wonderful to witness the joy, sense of community, friendships, and empowerment that is so unique to sport. We hosted a Summer season that included athletics (track and field), bocce, golf, and softball. The Summer also saw a Team Oregon delegation travel to Orlando, Florida for the USA Games and in August, we returned to the Nike campus to host our Youth Games.

And, as the weather cooled down, our Fall season had athletes swimming, bowling, and playing soccer and volleyball, which culminated in a Fall State Games at Providence Park, presented by Providence, and supported by the Timbers and Thorns. Our Athlete Leadership Council hosted their first in-person meeting in two years and almost doubled in size! And, throughout our return, we have continued to see value in the virtual platforms created during the pandemic with our athletes creating much of the content. Some of the most popular programs include esports presented by PlayStation, meditation and mindfulness, cooking classes, nutrition workshops, Bingo, fitness classes, and social hours.

We closed the year on a high note and need to thank our incredible volunteers and supporters across the state of Oregon. We have the best event organizers and coaches; communities that rally around our fundraising events like Polar Plunge, Plane Pull, and Jersey Mike's Month-of-Giving; a law enforcement community (LETR) with officers who couldn't wait to put medals around the necks of athletes at competitions again, and corporate partners and donors who are so loyal and provide the foundation we need to deliver quality sports programming to thousands of people living with intellectual disabilities.

One of the most exciting things that has happened in Q1 2023 is SOOR hired two athletes as staff members and both are playing an important role in recruitment and registration as we work to build back our participation numbers for schools, athletes, and volunteers. The future is so bright and while we are glad to close the door on what was an incredibly challenging couple of years, we are also better for having navigated through it. I can't wait to see you on the sidelines, cheering for our athletes!

Britt Oase

BRITT CARLSON OASE

Chief Executive Officer
Special Olympics Oregon
8313 SW Cirrus Drive | Beaverton, OR 97225



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Special Olympics Oregon (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Oregon as of December 31, 2022, 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. 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 Special Olympics Oregon 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 Special Olympics Oregon's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, 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.

To the Board of Directors
Special Olympics Oregon

In performing an audit in accordance with generally accepted auditing standards, 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 Special Olympics Oregon'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 Special Olympics Oregon'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 Special Olympics Oregon's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, with the exception of the restatements as described in Note O, in all material respects, with the audited financial statements from which it has been derived.

Kern + Thompson, LLC

Portland, Oregon
August 3, 2023

SPECIAL OLYMPICS OREGON, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With Comparative Amounts as of December 31, 2021)

ASSETS

	2022	2021
Assets		
Cash and cash equivalents – operations	\$ 1,764,107	\$ 1,693,765
Cash and cash equivalents – segregated accounts	983,135	904,201
Investments	1,260,395	1,214,847
Grants and contributions receivable	352,425	315,905
Beneficial interest in assets held by others	397,357	367,564
Prepaid expenses and other assets	46,785	59,506
Property and equipment, net	88,897	81,135
Operating lease right-of-use asset	125,018	-
	\$ 5,018,119	\$ 4,636,923

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 59,005	\$ 16,956
Accrued payroll and related liabilities	17,363	9,626
Accrued expenses	-	12,083
Refundable advance	60,724	29,244
Operating lease liability	125,018	-
Total liabilities	262,110	67,909
Net assets		
Without donor restrictions		
Undesignated	2,632,019	2,295,698
Board designated	1,207,897	1,162,401
Total without donor restrictions	3,839,916	3,458,099
With donor restrictions	916,093	1,110,915
Total net assets	4,756,009	4,569,014
Total liabilities and net assets	\$ 5,018,119	\$ 4,636,923

See notes to financial statements.

SPECIAL OLYMPICS OREGON, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
Operating revenues, gains and other support:				
Grants and contributions	\$ 2,178,220	\$ 104,016	\$ 2,282,236	\$ 2,815,556
Government grant – Paycheck Protection Program	-	-	-	167,440
Employee Retention Tax Credits	154,407	-	154,407	84,000
Special events, net of direct expenses of \$460,051 and \$164,598, respectively	504,345	-	504,345	443,610
In-kind contributions	903,753	-	903,753	300,201
Net change in beneficial interest in assets held by others	29,793	-	29,793	-
Investment income	19,265	-	19,265	1,372
Other income	-	-	-	6,369
	<u>3,789,783</u>	<u>104,016</u>	<u>3,893,799</u>	<u>3,818,548</u>
Release from restrictions	298,838	(298,838)	-	-
Total operating revenues, gains and other support:	<u>4,088,621</u>	<u>(194,822)</u>	<u>3,893,799</u>	<u>3,818,548</u>
Expenses				
Program services	2,865,519	-	2,865,519	1,739,496
Supporting services				
Management and general	530,348	-	530,348	315,902
Fundraising	310,937	-	310,937	412,102
Total expenses	<u>3,706,804</u>	<u>-</u>	<u>3,706,804</u>	<u>2,467,500</u>
Increase (decrease) in net assets	381,817	(194,822)	186,995	1,351,048
Net assets, beginning of year, as restated	<u>3,458,099</u>	<u>1,110,915</u>	<u>4,569,014</u>	<u>3,217,966</u>
Net assets, ending of year	<u>\$ 3,839,916</u>	<u>\$ 916,093</u>	<u>\$ 4,756,009</u>	<u>\$ 4,569,014</u>

See notes to financial statements.

SPECIAL OLYMPICS OREGON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	SUPPORTING SERVICES					
	Program Services	Management and General		Fundraising	Total	
		2022	2021		2022	2021
Salaries and related expenses	\$ 849,569	\$ 350,482	\$ 198,566	\$ 1,398,617	\$ 1,141,702	
Competition and training	666,453	-	-	666,453	367,431	
Volunteer services	954,168	-	-	954,168	295,879	
Professional services	134,858	40,321	73,369	248,548	248,227	
Occupancy	82,127	33,221	21,831	137,179	159,072	
Supplies and equipment	14,265	5,400	3,548	23,213	12,204	
Office expenses	17,108	6,170	4,039	27,317	18,070	
Travel	1,450	9,448	-	10,898	7,246	
Special events	45,369	70,606	-	115,975	90,406	
National accreditation fees	59,293	-	-	59,293	47,557	
Insurance	19,831	7,155	5,317	32,303	31,007	
Interest and bank fees	4,201	1,473	277	5,951	18,986	
Depreciation	16,827	6,072	3,990	26,889	29,713	
Total expenses	\$ 2,865,519	\$ 530,348	\$ 310,937	\$ 3,706,804	\$ 2,467,500	

See notes to financial statements.

SPECIAL OLYMPICS OREGON, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 186,995	\$ 1,351,048
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,889	29,713
Unrealized gains from investments	(13,117)	-
Unrealized gains from beneficial interest	(29,793)	-
Changes in assets and liabilities:		
Grants and contributions receivable	(36,520)	130,623
Prepaid expenses	12,721	20,298
Accounts payable	42,050	15,668
Accrued payroll and related expenses	7,737	(7,272)
Accrued expenses	(12,083)	(3,069)
Refundable advance	31,480	(24,112)
Net cash provided by (used in) operating activities	216,359	1,512,897
Cash flows from investing activities:		
Purchase of fixed assets	(34,651)	(68,584)
Purchase of investments	(37,570)	(408,236)
Proceeds from the sale of investments	5,138	-
Net cash provided by (used in) investing activities	(67,083)	(476,820)
Cash flows from financing activities:		
Payments on notes payable	-	(134,131)
Net cash provided by (used in) financing activities	-	(134,131)
Net increase in cash and cash equivalents	149,276	901,946
Cash and cash equivalents, beginning of year	2,597,966	1,696,020
Cash and cash equivalents, end of year	\$ 2,747,242	\$ 2,597,966
Supplemental disclosures:		
Cash paid for interest	\$ -	\$ 520

See notes to financial statements.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – DESCRIPTION OF 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 an affiliate with, and accredited by, Special Olympics, Inc., the national and global organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

The Organization adopted *Accounting Standards Update No. 2016-02, Leases Topic 842* (“ASC 842”). The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The Organization elected to adopt ASC 842, effective January 1, 2022 and elected the optional transitional method to apply the transition provisions from the date of adoption, which requires the Organization to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances. Pursuant to the practical expedients, the Organization elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct cost for any existing leases.

Operating and financing lease ROU assets and related lease liabilities are recognized at the present value of the future lease payments over the base noncancelable lease term, at the lease commencement date for each lease. The Organization elected the practical expedient allowing use of the risk free rate as the interest rate for determining the present value of the future lease payments.

The Organization also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. It is important to note that the ASU 2020-07 did not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements 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 and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. Cash balances of \$2,427,329 were in excess of FDIC insurance limits at December 31, 2022.

Cash and cash equivalents include the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents - operations	\$ 1,764,107	\$ 1,693,765
Cash and cash equivalents - segregated accounts	<u>983,135</u>	<u>904,201</u>
Total cash and cash equivalents	<u>\$ 2,747,242</u>	<u>\$ 2,597,966</u>

Cash and cash equivalents – segregated accounts represent cash raised by the local districts that are held in separate bank accounts and are to be used to support the mission of the Organization in those localities. It is the Organization’s policy not to use those segregated accounts to pay general operating expenses.

Investments

Investments consist of marketable securities, certificates of deposit with initial maturities of greater than three months, and money market and cash funds held for long-term investment purposes. Interest income is accrued as earned.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 such long-lived assets are placed in service.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. 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. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Employee Retention Tax Credit: The 2020 CARES Act, and subsequent related pandemic relief legislation, also provides a refundable tax credit (the "Employee Retention Tax Credit") against certain employment taxes of up to \$10,000 per employee per quarter for eligible employers. For the period March 2020 through December 31, 2020, the tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee, provided the Organization meets certain reductions in revenues or experiences a government mandated closure. In 2021, additional relief legislation increased the credit to 70% of qualified wages up to \$10,000 of qualified wages per employee per quarter through September 30, 2021 and expanded the eligibility criteria.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Employee Retention Tax Credit (Continued): The Organization accounts for these tax credits in the period in which the Organization has complied with all the conditions attached to the credits, including filings of all related amended returns, and there is a reasonable assurance the Organization will receive the credits. During the year ended December 31, 2022, Employee Retention Tax Credits of \$154,407, are reported as revenue in the accompanying statement of activities.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received in advance for events are included in deferred revenue.

Donated Goods and Services: The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer support is not reflected in the financial statements as they do not meet the criteria for recording donated services.

Other revenues: Revenues for services are recognized at a single point in time when services are provided and all of the risks and rewards transfer.

Conditional Promises to Give

A portion of the Organization's revenue is derived from grants which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions or has met the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has conditional grants of \$382,000 that have not been recognized at December 31, 2022 because performance requirements and/or qualifying expenditures have not yet been incurred. The Organization has recorded refundable advances of \$60,724 and \$29,244 at December 31, 2022 and 2021, respectively, related to conditional promises to give.

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 asset's 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.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to contract and direct the use of the identified asset.

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its office building. Non-lease components, which primarily include payments for maintenance and utilities, are excluded from lease payments in calculating the ROU balances.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, the Organization uses a risk free discount rate to measure the present value.

Lease expense is generally recognized on a straight-line basis over the lease term.

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.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds and Interpretation of Relevant Law (Continued)

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.

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 or 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.

The Organization has adopted a spending plan which allows spending up to 5% of the endowment assets each year for operating expense. During the years ended December 31, 2022 and 2021, the Organization's Board of Directors did not appropriate any endowment assets for expenditure.

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's cash and cash equivalents have been placed with national and regional banking 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.

Property and Equipment

Acquisitions of property and equipment 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 gain or loss on disposal. Maintenance and repairs are expensed as incurred.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is calculated using the straight line method over the following estimated useful lives of the assets:

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

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.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state law. 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.

Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements.

Functional Expenses

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

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, excluding the restatement as discussed in Note O from which the summarized information was derived.

NOTE C – 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:

Financial assets at year-end*	
Cash and cash equivalents	\$ 2,747,242
Investments	1,260,395
Grants and contributions receivable	<u>352,425</u>
Total financial assets	<u>4,360,062</u>
Less amounts unavailable for general expenditure within one year:	
Cash and cash equivalents – segregated accounts	(983,135)
Contributions receivable over one year	(250,000)
Net assets with donor restrictions	(916,093)
Board designated net assets	<u>(1,207,897)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,002,937</u>

*Special Olympics Oregon Total assets, less nonfinancial assets (e.g., property and equipment, prepaid expenses)

While the Organization does not intend to spend the designated net assets for operational expenses, the Board can remove the designation if necessary.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE D – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Less than 1 year	\$ 121,000	\$ 50,000
One year to 5 years	250,000	250,000
More than 5 years	-	50,000
	<u>371,000</u>	<u>350,000</u>
Less discount	<u>(18,575)</u>	<u>(34,095)</u>
Total	<u>\$ 352,425</u>	<u>\$ 315,905</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 2.79%. One grantor accounts for 100% and 100% of the grants and contributions receivable at December 31, 2022 and 2021, respectively.

NOTE E – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value are measured under a three-level hierarchy. 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 sources, while unobservable inputs reflect estimates about market data.

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities and mutual fund investments.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management’s assumptions and best estimates based on available data.

Realized and unrealized gains and losses from investments are reported in the statement of activities as they occur. There have been no changes in valuation techniques and related inputs.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE E – FAIR VALUE MEASUREMENTS (CONTINUED)

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Fair Value Total
Money market and cash funds	\$ 258,447	\$ -	\$ -	\$ 258,447
Certificate of deposit	697,561	-	-	697,561
Short-term bond funds	251,889	-	-	251,889
Certificate of deposit, endowment	<u>52,498</u>	<u>-</u>	<u>-</u>	<u>52,498</u>
Total	\$ <u>1,260,395</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,260,395</u>

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Fair Value Total
Money market and cash funds	\$ 250,375	\$ -	\$ -	\$ 250,375
Certificate of deposit	659,177	-	-	659,177
Equities	252,849	-	-	252,849
Certificate of deposit, endowment	<u>52,446</u>	<u>-</u>	<u>-</u>	<u>52,446</u>
Total	\$ <u>1,214,847</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,214,847</u>

NOTE F – INVESTMENT ENDOWMENT

The endowment is invested in a certificate of deposit which has a three-month term and earns interest at 0.15%. The endowment investment has an original gift value of \$51,299 and accumulated earnings of \$1,147 at December 31, 2022. The investment earnings generated by this endowment can be used for such general, unrestricted purposes as determined by the Board of Directors.

NOTE G – BENEFICIAL INTEREST IN 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 \$1,990,836 and \$2,393,384 at December 31, 2022 and 2021, respectively. An asset of \$397,357 is recorded at December 31, 2022, representing the actuarially determined present value of the estimated future cash flows using a discount rate of 7%. A summary of the change in valuation of this asset during the years ended December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Beginning of year	\$ 367,564	\$ 367,564
Appreciation in value	<u>29,793</u>	<u>-</u>
End of year	\$ <u>397,357</u>	\$ <u>367,564</u>

SPECIAL OLYMPICS OREGON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

	2022	2021
Furniture	\$ 39,404	\$ 39,404
Computer equipment	103,876	82,749
Leasehold improvements	21,354	21,354
Office equipment	32,835	32,835
Software	329,202	315,680
	526,671	492,022
Less accumulated depreciation	(437,774)	(410,887)
	\$ 88,897	\$ 81,135

Depreciation expense was \$26,889 and \$29,713 for the years ended December 31, 2022 and 2021, respectively.

NOTE I – RESTRICTIONS ON NET ASSETS

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

	2022	2021
Endowment investment	\$ 52,498	\$ 52,446
Beneficial interest in charitable trust	369,527	367,564
Contributions restricted for purpose	87,642	-
Contributions pledged for future years	281,426	315,905
Contributions restricted for future years	125,000	375,000
Total net assets with donor restrictions	\$ 916,093	\$ 1,110,915

NOTE J – BOARD DESIGNATED NET ASSETS

During the year ended December 31, 2022, the Board of Directors designated certain assets be held as a reserve for future operating expenses. At December 31, 2022, the operating reserve totaled \$831,424 and is included in investments on the accompanying statement of financial position.

During the year ended December 31, 2022, the Board of Directors designated certain assets as a high performance fund to be held for future purposes. At December 31, 2022, the high performance fund totaled \$376,473 and is included in investments on the accompanying statement of financial position.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE K – LEASE ASSET AND LIABILITIES

Operating Facilities Lease

The Organization leases its administrative offices under an operating lease agreement expiring in July 2024. The lease generally requires the Organization to pay for property taxes, maintenance, and insurance under a rent schedule beginning at \$6,481 per month and increasing annually up to \$6,836 in the final year of the term. The Organization recognized an initial ROU asset and liability of \$125,018 using a risk free 5-year rate of 2.79%.

	Facilities Leases
Annual Lease Cost	\$ <u>79,641</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from leases	\$ <u>77,777</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ <u>205,738</u>
Weighted-average remaining lease term	2.6 years
Weighted-average discount rate	2.79%

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2022 are as follows:

Year Ending December 31,	Operating Leases
2023	\$ 80,110
2024	<u>47,851</u>
Total future undiscounted lease payments	127,961
Less present value discount	<u>(2,943)</u>
Lease liabilities	\$ <u>125,018</u>

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. The Organization may, in its sole discretion, make employer contributions as defined in the plan document. No employer contributions were made to the Plan during the years ended December 31, 2022 or 2021.

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE M – 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.

NOTE N – IN-KIND CONTRIBUTIONS

The Organization 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 958-605, 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 statements of activities and 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.

The Organization's in-kind contributions for the years ended December 31, 2022 and 2021 were utilized in programs, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Program services:		
Volunteer services		
Volunteer certified coaches	\$ 333,411	\$ 66,712
Volunteer local program coordinators and managers	390,997	123,406
Other services	7,065	103,261
Free use of facilities	100,500	2,500
Total volunteer services	<u>831,973</u>	<u>295,879</u>
Competition and training:		
Materials and supplies	<u>71,780</u>	<u>4,322</u>
Total in-kind contributions	<u>\$ 903,753</u>	<u>\$ 300,201</u>

SPECIAL OLYMPICS OREGON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE O – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2021 have been restated to correct the balance of accounts receivable and net assets with donor restrictions as follows:

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Contributions and Grant Receivable</u>
January 1, 2021, as previously reported	\$ 3,458,099	\$ 1,185,915	\$ 390,905
Correction of an error due to overstatement of contributions and grants receivable at December 31, 2019	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
January 1, 2021, as restated	3,458,099	1,135,915	340,905
Correction of an error due to overstatement of contributions and grants receivable at December 31, 2021	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
December 31, 2021, as restated	\$ <u>3,458,099</u>	\$ <u>1,110,915</u>	\$ <u>315,905</u>

Had these errors not occurred, contributions and grants receivable would have decreased by (\$50,000) and (\$25,000) for the years ended December 31, 2021 and 2019, respectively. Net assets with donor restrictions would have also decreased by (\$25,000) and (\$50,000) as of December 31, 2021 and 2019, respectively.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 3, 2023, which is the date financial statements were available to be issued.