

Special Olympics, Inc. and Affiliates

Combined Financial Statements and Supplemental
Combining Schedules as of and for the Years Ended
December 31, 2019 and 2018,
and Independent Auditor's Reports

SPECIAL OLYMPICS, INC. AND AFFILIATES

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RSM US LLP

Independent Auditor's Report

Board of Directors
Special Olympics, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Special Olympics, Inc. and its affiliates (SOI), which comprise the combined statements of financial position as of December 31, 2019 and 2018, the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, 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.

Opinion

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining schedules have been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
July 2, 2020

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,600,121	\$ 16,485,236
Contributions receivable	7,344,984	11,107,844
Program and other receivables—net	7,541,720	7,537,096
Prepaid expenses	2,386,781	1,793,381
Other assets	527,729	825,675
Total current assets	<u>36,401,335</u>	<u>37,749,232</u>
NONCURRENT ASSETS:		
Permanently restricted investments	3,498,584	1,498,584
Other investments	2,239,715	1,984,134
Economic beneficial interest in Trust	52,469,315	48,330,724
Long-term contributions receivable—net	9,649,025	9,068,877
Property and equipment—net	5,284,550	4,438,174
Other assets	863,670	787,893
Total noncurrent assets	<u>74,004,859</u>	<u>66,108,386</u>
TOTAL	<u>\$ 110,406,194</u>	<u>\$ 103,857,618</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 8,878,488	\$ 11,228,490
Grants and awards payable to affiliates	4,242,824	3,966,253
Deferred revenue and refundable advances	2,339,086	2,918,129
Deferred rent	270,283	171,288
Total current liabilities	<u>15,730,681</u>	<u>18,284,160</u>
NONCURRENT LIABILITIES:		
Long-term deferred rent	-	270,283
Total liabilities	<u>15,730,681</u>	<u>18,554,443</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	2,602,785	2,001,557
Designated	55,068,121	50,912,337
Total net assets without donor restrictions	<u>57,670,906</u>	<u>52,913,894</u>
With donor restrictions	<u>37,004,607</u>	<u>32,389,281</u>
Total net assets	<u>94,675,513</u>	<u>85,303,175</u>
TOTAL	<u>\$ 110,406,194</u>	<u>\$ 103,857,618</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Direct mail contributions	\$ 47,376,275	\$ -	\$ 47,376,275
Individual and corporate contributions and sponsorships	24,146,295	31,593,686	55,739,981
Federal grants	25,434,659	-	25,434,659
Nonfederal grants	223,593	-	223,593
Accreditation fees	4,224,207	-	4,224,207
Royalty income	726,630	-	726,630
Appreciation in Trust assets—net (Note 7)	6,490,809	-	6,490,809
Other investment loss—net (Note 7)	246,535	-	246,535
Other income	2,098,294	-	2,098,294
	<u>110,967,297</u>	<u>31,593,686</u>	<u>142,560,983</u>
Total revenues, gains and other support			
NET ASSETS RELEASED FROM RESTRICTIONS (Note 9):			
Satisfaction of program restrictions	12,933,549	(12,933,549)	-
Expiration of time restrictions	14,044,811	(14,044,811)	-
	<u>137,945,657</u>	<u>4,615,326</u>	<u>142,560,983</u>
Total revenues, gains and other support and net assets released from restrictions			
EXPENSES:			
Program assistance	73,593,203	-	73,593,203
Public education and communications	32,481,306	-	32,481,306
Sports training and competitions	6,461,824	-	6,461,824
Fundraising	16,485,993	-	16,485,993
Management and general	4,166,319	-	4,166,319
	<u>133,188,645</u>	<u>-</u>	<u>133,188,645</u>
Total expenses			
CHANGES IN NET ASSETS	4,757,012	4,615,326	9,372,338
NET ASSETS—Beginning of year	<u>52,913,894</u>	<u>32,389,281</u>	<u>85,303,175</u>
NET ASSETS—End of year	<u>\$ 57,670,906</u>	<u>\$ 37,004,607</u>	<u>\$ 94,675,513</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Direct mail contributions	\$ 45,592,347	\$ -	\$ 45,592,347
Individual and corporate contributions and sponsorships	32,886,220	37,637,887	70,524,107
Federal grants	20,962,317	-	20,962,317
Nonfederal grants	879,366	-	879,366
Accreditation fees	4,027,184	-	4,027,184
Royalty income	671,519	-	671,519
Appreciation in Trust assets—net (Note 7)	311,084	-	311,084
Other investment loss—net (Note 7)	(489,020)	-	(489,020)
Other income	<u>3,612,133</u>	<u>-</u>	<u>3,612,133</u>
Total revenues, gains and other support	108,453,150	37,637,887	146,091,037
NET ASSETS RELEASED FROM RESTRICTIONS (Note 9):			
Satisfaction of program restrictions	27,837,635	(27,837,635)	-
Expiration of time restrictions	<u>2,888,199</u>	<u>(2,888,199)</u>	<u>-</u>
Total revenues, gains and other support and net assets released from restrictions	<u>139,178,984</u>	<u>6,912,053</u>	<u>146,091,037</u>
EXPENSES:			
Program assistance	80,227,079	-	80,227,079
Public education and communications	30,093,477	-	30,093,477
Sports training and competitions	9,829,763	-	9,829,763
Fundraising	16,407,262	-	16,407,262
Management and general	<u>4,251,115</u>	<u>-</u>	<u>4,251,115</u>
Total expenses	<u>140,808,696</u>	<u>-</u>	<u>140,808,696</u>
CHANGES IN NET ASSETS	(1,629,712)	6,912,053	5,282,341
NET ASSETS—Beginning of year	<u>54,543,606</u>	<u>25,477,228</u>	<u>80,020,834</u>
NET ASSETS—End of year	<u>\$ 52,913,894</u>	<u>\$ 32,389,281</u>	<u>\$ 85,303,175</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Assistance	Public Education and Communications	Sports Training and Competitions	Fundraising	Management and General	Total
SALARIES	\$ 14,431,960	\$ 2,702,437	\$ 1,917,645	\$ 2,663,980	\$ 2,092,187	\$ 23,808,209
BENEFITS	<u>2,239,687</u>	<u>629,773</u>	<u>353,437</u>	<u>572,764</u>	<u>381,735</u>	<u>4,177,396</u>
Total salaries and benefits	<u>16,671,647</u>	<u>3,332,210</u>	<u>2,271,082</u>	<u>3,236,744</u>	<u>2,473,922</u>	<u>27,985,605</u>
CONSULTING AND OTHER	8,626,074	6,322,912	1,831,415	3,462,778	352,928	20,596,107
TRAVEL, MEETINGS AND CONFERENCES	5,754,445	1,543,545	775,897	932,543	239,588	9,246,018
POSTAGE AND SHIPPING	280,648	4,602,640	17,811	4,034,707	6,971	8,942,777
PRINTING	141,006	3,332,989	4,342	2,848,883	7,916	6,335,136
SUPPLIES	4,482,797	146,227	260,640	27,379	13,222	4,930,265
DATA PROCESSING	1,301,202	1,380,373	66,745	841,818	309,188	3,899,326
RENT (Note 14)	1,406,683	303,301	111,097	156,065	139,744	2,116,890
MISCELLANEOUS	304,687	248,063	22,370	247,683	461,410	1,284,213
COMMUNICATION	417,707	43,778	24,274	613,578	2,910	1,102,247
DEPRECIATION AND AMORTIZATION	707,558	15,818	4,851	8,139	123,400	859,766
PROFESSIONAL DEVELOPMENT	67,477	165,781	19,623	72,088	29,301	354,270
EQUIPMENT RENT AND REPAIR	<u>175,160</u>	<u>10,571</u>	<u>3,968</u>	<u>3,588</u>	<u>4,119</u>	<u>197,406</u>
Subtotal	23,665,444	18,115,998	3,143,033	13,249,249	1,690,697	59,864,421
AWARDS AND GRANTS	<u>33,256,112</u>	<u>11,033,098</u>	<u>1,047,709</u>	<u>-</u>	<u>1,700</u>	<u>45,338,619</u>
TOTAL EXPENSES	<u>\$ 73,593,203</u>	<u>\$ 32,481,306</u>	<u>\$ 6,461,824</u>	<u>\$ 16,485,993</u>	<u>\$ 4,166,319</u>	<u>\$ 133,188,645</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Assistance	Public Education and Communications	Sports Training and Competitions	Fundraising	Management and General	Total
SALARIES	\$ 13,410,743	\$ 2,410,409	\$ 1,621,297	\$ 2,471,222	\$ 2,021,426	\$ 21,935,097
BENEFITS	<u>2,233,217</u>	<u>540,878</u>	<u>290,292</u>	<u>563,775</u>	<u>456,385</u>	<u>4,084,547</u>
Total salaries and benefits	<u>15,643,960</u>	<u>2,951,287</u>	<u>1,911,589</u>	<u>3,034,997</u>	<u>2,477,811</u>	<u>26,019,644</u>
CONSULTING AND OTHER	13,869,530	7,135,501	2,893,153	4,459,391	414,586	28,772,161
TRAVEL, MEETINGS AND CONFERENCES	6,362,875	958,608	1,764,682	491,998	313,674	9,891,837
POSTAGE AND SHIPPING	312,309	4,787,890	29,326	4,131,777	10,778	9,272,080
PRINTING	263,213	3,274,039	28,734	2,566,022	4,661	6,136,669
SUPPLIES	8,574,120	75,800	2,339,775	52,707	35,969	11,078,371
DATA PROCESSING	900,540	803,961	65,369	685,605	223,231	2,678,706
RENT (Note 14)	1,135,271	220,158	80,881	146,870	188,659	1,771,839
MISCELLANEOUS	285,152	215,578	60,815	217,698	357,984	1,137,227
COMMUNICATION	500,767	37,298	36,641	511,243	11,570	1,097,519
DEPRECIATION AND AMORTIZATION	120,586	14,453	4,001	9,642	178,626	327,308
PROFESSIONAL DEVELOPMENT	90,472	84,306	5,067	94,935	28,143	302,923
EQUIPMENT RENT AND REPAIR	<u>265,742</u>	<u>6,561</u>	<u>78,314</u>	<u>4,377</u>	<u>5,423</u>	<u>360,417</u>
Subtotal	32,680,577	17,614,153	7,386,758	13,372,265	1,773,304	72,827,057
AWARDS AND GRANTS	<u>31,902,542</u>	<u>9,528,037</u>	<u>531,416</u>	<u>-</u>	<u>-</u>	<u>41,961,995</u>
TOTAL EXPENSES	<u>\$ 80,227,079</u>	<u>\$ 30,093,477</u>	<u>\$ 9,829,763</u>	<u>\$ 16,407,262</u>	<u>\$ 4,251,115</u>	<u>\$ 140,808,696</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 9,372,338	\$ 5,282,341
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	859,766	327,308
Bad debt expense	-	147,508
Discount on long term pledges	-	311,133
Net unrealized and realized gain on investments and economic beneficial interest in Trust	(6,890,676)	(116,123)
Contributions received for long-term purposes	(2,000,000)	(1,300,000)
Decrease (increase) in assets:		
Contributions receivable	3,182,712	(9,186,525)
Program and other receivables	(4,624)	2,643,392
Prepaid expenses	(593,400)	(230,796)
Other assets	222,169	129,734
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	(2,350,002)	4,007,080
Grants and awards payable to affiliates	276,571	169,544
Deferred revenue and refundable advances	(579,043)	749,392
Deferred rent	(171,288)	(117,156)
Net cash provided by operating activities	<u>1,324,523</u>	<u>2,816,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,706,142)	(2,484,221)
Purchases of investments and economic beneficial interest in Trust	(2,172,457)	(1,782,352)
Proceeds from sale of investments and economic beneficial interest in Trust	<u>2,668,961</u>	<u>2,916,473</u>
Net cash used in investing activities	<u>(1,209,638)</u>	<u>(1,350,100)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	<u>2,000,000</u>	<u>1,300,000</u>
Net cash provided by financing activities	<u>2,000,000</u>	<u>1,300,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,114,885	2,766,732
CASH AND CASH EQUIVALENTS—Beginning of year	<u>16,485,236</u>	<u>13,718,504</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 18,600,121</u>	<u>\$ 16,485,236</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND PURPOSE

Special Olympics, Inc. (SOI or Special Olympics), a District of Columbia nonprofit corporation, was incorporated in 1968. The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness; demonstrate courage; experience joy; and participate in the sharing of gifts, skills, and friendship with their families and other Special Olympics athletes and the community. SOI accomplishes its mission through its approximately 244 independent accredited programs worldwide, plus independent games organizing committees responsible for organizing, financing, and conducting world and regional games. SOI does not have a controlling financial interest in its accredited programs or the games organizing committees, and the accompanying combined financial statements do not include the accounts of these accredited programs and games organizing committees (see Note 5).

On December 25, 1997, the Christmas Records Trust (the Trust) was established as a grantor trust to support the charitable mission of SOI and the Special Olympics movement through the royalty income and accumulated principal earned from the A Very Special Christmas albums. The Trust has four trustees, one of whom is an SOI board member. As of December 31, 2019 and 2018, the Trust's assets had a fair market value of \$55,068,121 and \$50,912,337, respectively (see Note 7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The combined financial statements of SOI are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Principles of Combination—The accompanying combined financial statements include the accounts of Special Olympics and its affiliated organizations, SO Europe Eurasia Foundation (the Foundation), Special Olympics Asia Pacific, Ltd. (SOAP Ltd), and Special Olympics Entertainment Corporation (SOEC). The Foundation was formed on June 23, 2009, as a tax-exempt organization in the country of Ireland. SOAP Ltd is an organization incorporated under the Singapore Companies Act, Cap. 50 as a company limited by guarantee with no paid-up share capital and domiciled in Singapore. The principal activities of both are to benefit their local communities through the provision of financial assistance to support the Special Olympics mission. SOEC was formed February 15, 2019 as a tax exempt organization incorporated in the State of Delaware for the purpose of managing the production of a film featuring Special Olympics athletes. SOI controls the Board of Directors of all three organizations and exerts significant influence over their activities. All intercompany accounts and transactions have been eliminated in combination.

Net Assets—SOI classifies net assets into two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the organization. Certain amounts have been designated by SOI for specific purposes. All contributions are considered to be available for unrestricted undesignated use, unless specifically designated by the Board of Directors or given with donor restrictions or internally designated by management. Unrestricted designated contributions represent contributions without donor restrictions that have been designated for a specified purpose by the Board of Directors (see Note 9). Net assets with donor restrictions are contributions with donor-imposed time and/or program restrictions or permanent restrictions. The time and purpose restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Net assets with donor restrictions become

unrestricted when the time restrictions expire or when the funds are used for their restricted purposes, at which time they are reported in the combined statements of activities as net assets released from restrictions (see Note 9). Net assets with donor restrictions that are permanent in nature, represent endowments to be held in perpetuity (see Note 9).

Individual and Corporate Contributions and Sponsorships—SOI records pledges as contributions receivable when there is an unconditional promise to give, supported by evidence of the amount, timing and nature of the contributions. SOI reports gifts of cash and other assets as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying combined statements of activities as net assets released from restrictions.

SOI reports contributions of goods and services (value in kind) as contribution revenue and program expense (program assistance, public education and communications, and sports training and competitions) upon receipt. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. SOI reports contributions of goods and services as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying combined statements of activities as net assets released from restrictions. Contributed goods and services received were \$10,329,530 and \$19,454,872 for the years ended December 31, 2019 and 2018, respectively.

Donated securities and other non-cash assets are recorded as contributions at their estimated fair value on the date of receipt.

SOI reports gifts of land, buildings and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations of how long those long-lived assets must be maintained, SOI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Federal and Nonfederal Grants—Revenues from federal and nonfederal grants are recognized when the related expenses allowable under the grant are incurred, since such grants can be terminated by the grantor, or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For this reason, the SOI's federal and nonfederal grants are considered conditional, and so referred to as conditional grants.

Accreditation Fees—Accredited programs (see Note 5) are assessed a fixed percentage of either their operating expenses (in the case of U.S. programs) or their adjusted gross revenues (for non-U.S. programs) as accreditation fees. These fees are recognized in the year to which the fees relate and are reported as accreditation fees in the accompanying combined statements of activities. These revenues are considered to be recognized over time.

Royalty Income—SOI enters into licensing and sponsorship agreements with sponsors, whereby it grants the sponsor use of its name, logos, and other trademarks. Where these agreements provide for a guaranteed minimum annual royalty over the term of the agreement, SOI recognizes these revenues over time as earned. Cash receipts in excess of revenue recognized are deferred to future periods; revenues in excess of cash receipts are recorded as receivables. Where these agreements do not provide for a guaranteed minimum royalty, income is recognized when received at a point in time.

Functional Allocation of Expenses—The costs of providing the various SOI programs and other activities have been summarized on a functional basis in the accompanying combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on reasonable methodologies such as headcount for occupancy expenses and level of effort for salaries and benefits and various other costs.

Grants and Awards—SOI provides unconditional grants to various accredited programs for assistance in achieving SOI's mission. The full amount of grants is expensed and accrued as grants payable upon authorization of payment of the grant by management.

Cash and Cash Equivalents—For combined financial statement purposes, SOI considers cash and cash equivalents to include cash in financial institutions and liquid investments with original maturities of three months or less.

Investments—Investments, including those held by the Trust, consist of readily marketable securities, which are recorded at fair value, with any unrealized gain (loss) included in other investment income (loss) or net appreciation (depreciation) in Trust assets in the combined statements of activities. Equity securities traded on a national securities exchange are valued at the closing price, fixed-income securities are valued at the last bid price, and the net asset values of mutual funds are based on valuations computed by the National Association of Securities Dealers (see Note 7).

Concentration of Risk—Cash and cash equivalents that potentially subject SOI to concentrations of credit risk consist principally of bank accounts and short-term investments. Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Investment accounts are insured by the Securities Investor Protection Corporation (SIPC). Investment balances are insured up to \$500,000, with a limit of \$250,000 for cash. At December 31, 2019 and 2018, SOI had cash and cash equivalents of \$12,573,835 and \$11,706,829, respectively, in excess of FDIC and SIPC insured limits. Additionally, SOI has cash and cash equivalents in the amounts of \$4,908,284 and \$4,332,773, respectively, in foreign bank accounts, some of which may be subject to withdrawal restrictions.

SOI invests in a professionally managed portfolio that primarily contains mutual funds, equity securities and fixed income securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the combined financial statements.

Receivables—Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for an allowance for doubtful accounts as of December 31, 2019 and 2018, was \$154,319 and \$181,247, respectively.

Contributions Receivable—Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management has determined that contributions receivable are fully collectible, and there was no allowance for doubtful contributions receivable at December 31, 2019 or 2018.

Property and Equipment—Property and equipment are stated at cost if acquired by SOI, or at fair value if donated. SOI capitalizes all property and equipment purchased with a cost of \$5,000 or more. Useful lives range from three to five years. The cost of property and equipment, less applicable residual values, is depreciated using the straight-line method. Depreciation begins when the specific asset is ready for normal use. Amortization of leasehold improvements is computed on a straight-line basis over the lesser of the term of the related lease or the estimated useful life of the assets.

Adopting of Recent Accounting Pronouncements— In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP. ASU 2014-09 also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. This ASU was adopted by SOI in 2019 using the modified retrospective transition method. Based on SOI's review, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under ASU 2014-09.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 must be applied using a retrospective transition method. The ASU was adopted by SOI in 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where SOI is the resource recipient, the ASU is applicable to contributions received for the fiscal year ended December 31, 2019, and SOI adopted this amendment on a modified prospective basis. The adoption did not have a material impact on the combined financial statements. The ASU for resource providers is a required adopted during the year ending December 31, 2020, and is not expected to have a material impact for SOI.

Recent Accounting Pronouncements—In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of ASU 2018-13 is not expected to have a material impact on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date an additional year, making it effective for annual reporting periods after December 15, 2021. SOI is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

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

Tax Status—SOI has received a favorable determination letter designating it as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Trust is a grantor trust that is a not-for-profit organization and is qualified under the exemption of SOI as the Trust's sponsor organization. SOEC has received a favorable determination letter designating it as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a Type 1 supporting organization under Sections 509(a)(3). The Foundation is exempt from income taxes under the laws of the country of Ireland. SOAP Ltd. is subject to income tax under the laws of the country of Singapore, but did not incur any tax in 2019 and 2018 due to carried-forward losses from operations.

GAAP requires management to evaluate tax positions taken by SOI and recognize a tax liability (or asset) if SOI has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by SOI and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements.

Reclassification—Certain items in the 2018 information have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

3. AVAILABILITY AND LIQUIDITY

The following represents SOI's financial assets at December 31, 2019:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 18,600,121	\$ 16,485,236
Contributions receivable—net	16,994,009	20,176,721
Program and other receivables—net	7,541,720	7,537,096
Permanently restricted investments	3,498,584	1,498,584
Other investments	2,239,715	1,984,134
Economic beneficial interest in Trust	52,469,315	48,330,724
	<hr/>	<hr/>
Total financial assets	101,343,464	96,012,495
	<hr/>	<hr/>
Less amounts not available to be used within one year:		
Board designated net assets	(55,068,121)	(50,912,337)
Net assets with donor restrictions	(37,004,607)	(32,389,281)
	<hr/>	<hr/>
Financial assets not available to be used within one year	(92,072,728)	(83,301,618)
	<hr/>	<hr/>
Financial assets available to meet general expenditures within one year	\$ 9,270,736	\$ 12,710,877
	<hr/> <hr/>	<hr/> <hr/>

SOI receives a significant amount of contributions with donor imposed time or purpose restrictions, as well as an increasing amount of restricted gifts to the SOI Endowment Fund that will exist in perpetuity. Income from the Endowment may be used for restricted or unrestricted purposes per each donor's guidelines. In addition, SOI receives substantial contributions without donor restrictions. Accreditation fees collected from affiliated programs, investment income, earnings appropriated from the Endowment and grant distributions from the Christmas Records Trust, contributions without donor restrictions, and contributions with donor restrictions for use in current activities and programs are considered to be available to meet cash needs for general expenditures. General expenditures include assistance to global Special Olympics Programs (Program), sports training and competitions, public education and communications, administrative, and fundraising expenses. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

SOI seeks to operate within a prudent range of financial soundness and stability, maintaining a sufficient level of asset liquidity, and monitoring and maintaining reserves to provide reasonable assurance that long term commitments and obligations related to donor restricted funds and SOI's Endowment Fund will continue to be met. SOI regularly forecasts and monitors cash flow and liquidity to ensure that liquid resources are available to meet its commitments. To fund working capital needs, SOI has one line of credit arrangement as described in Note 12.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2019 and 2018, consist of unconditional promises to give as follows:

	2019	2018
Due in—less than one year	\$ 7,344,984	\$ 11,107,844
One to five years	10,076,328	9,496,180
Less discount to present value	(427,303)	(427,303)
Receivable noncurrent—net	9,649,025	9,068,877
Total contributions receivable—net	\$ 16,994,009	\$ 20,176,721

In addition, SOI has conditional promises to give of approximately \$95.5 million, \$52.5 million of which was added in 2019. Future payments are contingent upon SOI meeting certain milestones documented in the pledge agreements. During the years ended December 31, 2019 and 2018, SOI met certain conditions and recognized approximately \$25.4 million and \$20.1 million, respectively. At December 31, 2019 and 2018, approximately \$48.4 million and \$34.6 million in conditional promises to give had not been recorded in the combined financial statements, respectively. At December 31, 2019 and 2018, three donors accounted for 83% and 85% of the outstanding conditional promises to give, respectively.

5. AFFILIATED ORGANIZATIONS AND RELATED-PARTY TRANSACTIONS

Accredited Programs and Games Organizing Committees—SOI biennially accredits organizations as Programs at state and national levels for the purpose of conducting Special Olympics activities in their respective territorial jurisdictions. SOI accredits a Program if it meets specific organizational, programmatic, and legal requirements. Accredited Programs are authorized to use the Special Olympics name and logo, raise funds in the name of Special Olympics, receive grant support, and participate in conferences and international sporting events sanctioned by SOI. Currently, there are accredited Programs in 50 U.S. states, the District of Columbia, Puerto Rico, U.S. Virgin Islands and in approximately 170 countries outside the United States. SOI contracts with local games organizing committees to conduct various international and regional Special Olympics games.

During 2019 and 2018, SOI made awards and grants of \$43,486,108 and \$40,236,837, respectively, to accredited Programs, which are allocated to functional expenses in the accompanying combined statements of activities.

Program and Other Receivables—Amounts due from related parties and accredited Programs have been included in Program and other receivables at December 31, 2019 and 2018, as follows:

	2019	2018
Accounts receivable from SOI regional operations	\$ 72,079	\$ 70,221
Program accreditation fees	211,303	363,186
Grants receivable	1,237,742	3,183,653
Corporate and other receivables	6,174,915	4,101,283
	7,696,039	7,718,343
Allowance for doubtful accounts	(154,319)	(181,247)
Program and other receivables—net	\$ 7,541,720	\$ 7,537,096

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018, consist of the following:

	2019	2018
Furnishings	\$ 825,683	\$ 587,864
Equipment and software	9,612,596	5,326,030
Leasehold improvements	376,268	614,088
Software development in progress	1,465,507	4,045,929
Total property and equipment	<u>12,280,054</u>	<u>10,573,911</u>
Less accumulated depreciation	<u>(6,995,504)</u>	<u>(6,135,737)</u>
Total property and equipment—net	<u>\$ 5,284,550</u>	<u>\$ 4,438,174</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was \$859,766 and \$327,308, respectively.

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair Value Measurement—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. SOI applies fair value measurements to certain assets, including SOI's investments and its economic beneficial interest in Trust.

SOI maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, which enables a reader of the combined financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1—Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2—Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability.

Level 3—Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the combined financial statements. Fair value standards also allow for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determined fair value using the net asset value (NAV) per share or its equivalent.

The following table presents SOL's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of December 31, 2019.

2019	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income:				
Government	\$ 323,215	\$ 323,215	\$ -	\$ -
Other	632,149	632,149	-	-
	<u>955,364</u>	<u>955,364</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>2,962,688</u>	<u>2,962,688</u>	<u>-</u>	<u>-</u>
Equity:				
Large cap	751,019	751,019	-	-
International	300,068	300,068	-	-
Mid cap	232,685	232,685	-	-
Small cap	177,433	177,433	-	-
Growth	154,265	154,265	-	-
Emerging markets	112,151	112,151	-	-
Real Estate	70,613	70,613	-	-
Commodity	22,013	22,013	-	-
	<u>1,820,247</u>	<u>1,820,247</u>	<u>-</u>	<u>-</u>
Other investment measured at NAV or equivalent (a)	<u>52,469,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 58,207,614</u>	<u>\$ 5,738,299</u>	<u>\$ -</u>	<u>\$ -</u>

- (a) In accordance with Accounting Standards Codification (ASC) Topic 820-10, an investment measured at fair value using the NAV per share (or its equivalent) partial expedient has not been classified in the fair value amounts presented in this table and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

The following table presents SOL's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of December 31, 2018.

2018	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income:				
Government	\$ 314,546	\$ 314,546	\$ -	\$ -
Cash and cash equivalents	1,547,348	1,547,348	-	-
Equity:				
Large cap	672,040	672,040	-	-
International	247,836	247,836	-	-
Mid cap	173,408	173,408	-	-
Small cap	143,407	143,407	-	-
Growth	142,767	142,767	-	-
Emerging markets	101,671	101,671	-	-
Real Estate	79,119	79,119	-	-
Commodity	60,576	60,576	-	-
	1,620,824	1,620,824	-	-
Other investment measured at NAV or equivalent (a)	48,330,724	-	-	-
	\$ 51,813,442	\$ 3,482,718	\$ -	\$ -

- (a) In accordance with ASC Topic 820-10, an investment measured at fair value using the NAV per share (or its equivalent) partial expedient has not been classified in the fair value amounts presented in this table and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

The Trust has one alternative investment at December 31, 2019, which calculates the fair value using the NAV per share or its equivalent. The fair value at December 31, 2019 and 2018, was \$52,469,315 and \$48,330,724, respectively. This investment can be redeemed at the end of each calendar year. Redemption of all or a portion of the investment requires a notice submitted by September 1st that precedes the applicable redemption date. As of December 31, 2019 and 2018, the Trust had submitted notice for a redemption of approximately \$1,967,717 and \$1,894,860, respectively. The investment seeks to invest with a long term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy.

Investments at December 31, 2019 and 2018, consist of the following:

	2019	2018
Permanently restricted investments	\$ 3,498,584	\$ 1,498,584
Other investments	2,239,715	1,984,134
Economic beneficial interest in Trust	52,469,315	48,330,724
Total investments	<u>\$ 58,207,614</u>	<u>\$ 51,813,442</u>

Investment income for the years ended December 31, 2019 and 2018, consists of the following:

	2019	2018
Interest and dividends	\$ 253,159	\$ 100,497
Net unrealized and realized gains (losses) on investments	399,867	(194,961)
Investment management fees	(406,491)	(394,556)
Total investment gain (loss)	<u>\$ 246,535</u>	<u>\$ (489,020)</u>

Net appreciation in Trust assets for the years ended December 31, 2019 and 2018, consists of the following:

	2019	2018
Net unrealized and realized gains on investments	\$ 6,490,809	\$ 311,084
Total net appreciation in Trust assets	<u>\$ 6,490,809</u>	<u>\$ 311,084</u>

8. DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Designated net assets without donor restrictions at December 31, 2019 and 2018, consist of the following:

	2019	2018
Christmas Records Trust	\$ 55,068,121	\$ 50,912,337
Total designated net assets without donor restrictions	<u>\$ 55,068,121</u>	<u>\$ 50,912,337</u>

The designated net assets without donor restrictions relate to the Trust. These assets were generated by royalties paid to SOI by a third-party for the use of SOI's rights to certain recordings and other intangible assets related to the *A Very Special Christmas* albums. The purpose of the Trust is to fund new SOI initiatives having a direct impact on persons with intellectual disabilities. The grants from the Trust may not be used for day-to-day overhead or general operational expenses of SOI.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are available at December 31, 2019 and 2018, for the following purposes or periods:

	2019	2018
Program restrictions:		
Program assistance	\$ 6,658,953	\$ 2,018,667
Sports training and competitions	7,618,872	5,298,397
Public education and communications	1,547,995	-
Total program restrictions	<u>15,825,820</u>	<u>7,317,064</u>
Time restricted for periods after December 31	17,669,496	23,573,633
Donor-restricted endowment funds	3,509,291	1,498,584
Total net assets with donor restrictions	<u>\$ 37,004,607</u>	<u>\$ 32,389,281</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2019	2018
Satisfaction of program restrictions:		
Program assistance	\$ 9,736,387	\$ 24,696,512
Sports training and competitions	2,845,157	3,141,123
Public education and communications	352,005	-
Total satisfaction of program restrictions	<u>12,933,549</u>	<u>27,837,635</u>
Expiration of time restrictions	14,044,811	2,888,199
Total net assets released from restrictions	<u>\$ 26,978,360</u>	<u>\$ 30,725,834</u>

Endowment— Net assets with donor restrictions – Permanent of \$3,498,584 and \$1,498,584 at December 31, 2019 and 2018, respectively, consists of the Special Olympics, Inc. internal Endowment Fund and the Global Unified Champion Schools Fund (established June 25, 2019). The internal Endowment Fund was established to generate income to finance special projects or unusual expenditures that will enhance the mission of SOI. The investment income earned is without donor restrictions. The Global Unified Champion Schools Fund was established as part of a multi-year commitment with 30% of that commitment going toward the endowment fund. The first \$2,000,000 was contributed to the endowment in 2019. The investment income earned must be used in support of the Special Olympics Global Centre for Inclusion in Education (to be created by the donation and located in Abu Dhabi, UAE) and Unified Champion Schools around the world per donor-imposed restrictions.

SOI's endowment consists of amounts held in money market funds and fixed income funds with the objective of preserving the corpus of the endowment fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—SOI interprets the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) of Washington, D.C., as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, SOI classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by SOI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SOI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SOI and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SOI
- (7) The investment policies of SOI

Endowment net assets with donor restrictions at December 31, 2019 and 2018, is as follows:

	2019	2018
Endowment net assets, beginning of year	\$ 1,498,584	\$ 198,584
Contributions	2,000,000	1,300,000
Investment return, net of fees	10,707	-
Endowment net assets, end of year	<u>\$ 3,509,291</u>	<u>\$ 1,498,584</u>

10. ALLOCATION OF JOINT COSTS

SOI conducts direct mail campaigns in the United States to raise funds; to increase public knowledge and awareness of Special Olympics, its mission, and its activities; and to recruit volunteers. In 2019 and 2018, SOI conducted direct mail activities that included requests for contributions, as well as program components. The cost of conducting those activities in 2019 and 2018 was \$24,492,740 and \$22,464,040, respectively. Costs of \$11,456,234 and \$10,400,851 were charged to fundraising expenses during 2019 and 2018, respectively. Costs of \$13,036,506 and \$12,063,189 were allocated to SOI's public education program during 2019 and 2018, respectively.

11. SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific SOI programs. During 2019 and 2018, management and general expenses were \$4,166,319 and \$4,251,115 respectively. During 2019 and 2018, fundraising expenses for marketing and development and multistate fundraising projects were \$16,485,993 and \$16,407,262, respectively, which represented 12.2% and 11.27%, respectively, of the revenue resulting from fundraising, defined as direct mail contributions, individual and corporate contributions and sponsorships, federal grants, nonfederal grants, accreditation fees, and other income in the combined statements of activities. Management and general expenses represent 3.08% and 2.92% of revenues resulting from fundraising activities, respectively. Together, management and general and fundraising expenses represent approximately 15.29% and 14.19% of revenues from fundraising activities, respectively.

12. CREDIT FACILITIES

SOI has one line of credit arrangement for \$3,000,000 with a domestic bank that provides borrowings bearing interest at the prime rate, less 1%. The resulting rates were 3.75% and 4.50% at December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, Special Olympics had no borrowings against this line of credit arrangement.

13. EMPLOYEE BENEFITS

The organization participates in both 403(b) and 401(k) defined contribution retirement plans which are available for the benefit of all full-time employees of the organization. In addition, employees may also take advantage of a tax-deferred annuity plan sponsored by SOI. In accordance with the 401(k) plan agreement, the organization makes contributions to the plan, which are determined based on a percentage of the participating employee's salary and the amount of an employee's elective contributions. SOI has a 403(b) defined contribution pension plan that covers substantially all U.S. employees. Pension expense under both plans was \$695,881 and \$808,316 for the years ended December 31, 2019 and 2018, respectively.

14. LEASE COMMITMENT

SOI entered into a sublease agreement for its Washington, D.C., headquarters commencing on November 1, 2004, that was due to expire in February 2016. On September 3, 2014, SOI exercised the option to extend the sublease agreement, commencing February 1, 2016 and expiring in January 2021. On December 14, 2018, SOI entered into a sublease for additional space at its headquarters. The term of this lease will run concurrently with the existing lease and will expire in January 2021. Subsequent to year-end, SOI extended the sublease agreement, which includes the additional expansion space. The extended lease expires December 31, 2022. The base rent is inclusive of all charges, such as operating costs, cost-of-living increases, real estate taxes, and basic janitorial services. Rent expense is recognized on a straight-line basis over the life of the lease. The difference between the rent expense and related cash payments is deferred and recognized over the lease term. As of December 31, 2019 and 2018, deferred rent was \$270,283 and \$441,571, respectively.

Rent payments are payable monthly through the end of the lease term. The future minimum lease payments under the SOI's Washington, D.C., headquarters' operating lease are as follows:

2020	\$ 1,510,416
2021	1,110,914
2022	<u>1,521,098</u>
Total	<u>\$ 4,142,428</u>

Rent expense for the Washington, D.C., headquarters, and regional office space was \$2,116,890 and \$1,771,839 for the years ended December 31, 2019 and 2018, respectively. SOI leases office space for various employees throughout the world. The majority of these leases are month to month.

15. SUBSEQUENT EVENTS

SOI has evaluated all events or transactions that occurred after December 31, 2019 through July 2, 2020, the date the combined financial statements were available to be issued. On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 10, 2020, declared COVID-19 a pandemic. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on global economies and financial markets, including the geographical area in which SOI operates.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to SOI. To date, the organization is experiencing moderate declines in revenue and forecasts sustained decreases through the end of the year. Financial forecasting and planning activity have been enhanced, and the organization has developed a comprehensive mitigation strategy including expenditure reductions and other actions that management and the Board of Directors have confidence will adequately address revenue reductions anticipated in 2020. SOI has also secured a Paycheck Protection Program loan under the CARES Act as of May 4, 2020 in the amount of \$3,549,950 to help with payroll costs, rent and utilities. Some portion of the loan is expected to be forgiven based on actual spending on these costs and final guidance from the SBA.

SUPPLEMENTAL COMBINING SCHEDULES

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2019

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 14,205,489	\$ 151,581	\$ 2,695,056	\$ 1,547,995	\$ -	\$ 18,600,121
Contributions receivable	7,344,984	-	-	-	-	7,344,984
Program and other receivables—net	12,502,166	283,893	18,695	-	(5,263,034)	7,541,720
Prepaid expenses	2,216,113	3,271	167,397	-	-	2,386,781
Other assets	527,729	-	-	-	-	527,729
Total current assets	36,796,481	438,745	2,881,148	1,547,995	(5,263,034)	36,401,335
NONCURRENT ASSETS:						
Permanently restricted investments	3,498,584	-	-	-	-	3,498,584
Other investments	2,239,715	-	-	-	-	2,239,715
Net assets of combined entities	273,733	-	-	-	(273,733)	-
Economic beneficial interest in Trust	52,469,315	-	-	-	-	52,469,315
Long-term contributions receivable—net	9,649,025	-	-	-	-	9,649,025
Property and equipment—net	5,284,550	-	-	-	-	5,284,550
Other assets	863,670	-	-	-	-	863,670
Total noncurrent assets	74,278,592	-	-	-	(273,733)	74,004,859
TOTAL	\$ 111,075,073	\$ 438,745	\$ 2,881,148	\$ 1,547,995	\$ (5,536,767)	\$ 110,406,194
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	\$ 8,395,270	\$ 245,647	\$ 237,571	\$ -	\$ -	\$ 8,878,488
Due to Special Olympics, Inc.	-	176,829	2,487,399	-	(2,664,228)	-
Due to Christmas Records Trust	2,598,806	-	-	-	(2,598,806)	-
Grants and awards payable to affiliates	4,242,824	-	-	-	-	4,242,824
Deferred revenue and refundable advances	2,339,086	-	-	-	-	2,339,086
Deferred rent	270,283	-	-	-	-	270,283
Total current liabilities	17,846,269	422,476	2,724,970	-	(5,263,034)	15,730,681
Total liabilities	17,846,269	422,476	2,724,970	-	(5,263,034)	15,730,681
NET ASSETS:						
Without donor restrictions:						
Undesignated	2,814,852	16,269	45,397	-	(273,733)	2,602,785
Designated	55,068,121	-	-	-	-	55,068,121
Total net assets without donor restrictions	57,882,973	16,269	45,397	-	(273,733)	57,670,906
With donor restrictions	35,345,831	-	110,781	1,547,995	-	37,004,607
Total net assets	93,228,804	16,269	156,178	1,547,995	(273,733)	94,675,513
TOTAL	\$ 111,075,073	\$ 438,745	\$ 2,881,148	\$ 1,547,995	\$ (5,536,767)	\$ 110,406,194

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2018

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 13,156,222	\$ 593,543	\$ 2,735,471	\$ -	\$ 16,485,236
Contributions receivable	10,284,094	-	823,750	-	11,107,844
Program and other receivables—net	12,604,677	112,049	44,233	(5,223,863)	7,537,096
Prepaid expenses	1,642,555	-	150,826	-	1,793,381
Other assets	825,675	-	-	-	825,675
Total current assets	<u>38,513,223</u>	<u>705,592</u>	<u>3,754,280</u>	<u>(5,223,863)</u>	<u>37,749,232</u>
NONCURRENT ASSETS:					
Permanently restricted investments	1,498,584	-	-	-	1,498,584
Other investments	1,984,134	-	-	-	1,984,134
Net assets of combined entities	273,733	-	-	(273,733)	-
Economic beneficial interest in Trust	48,330,724	-	-	-	48,330,724
Long-term contributions receivable—net	9,068,877	-	-	-	9,068,877
Property and equipment—net	4,438,174	-	-	-	4,438,174
Other assets	787,676	-	217	-	787,893
Total noncurrent assets	<u>66,381,902</u>	<u>-</u>	<u>217</u>	<u>(273,733)</u>	<u>66,108,386</u>
TOTAL	<u>\$ 104,895,125</u>	<u>\$ 705,592</u>	<u>\$ 3,754,497</u>	<u>\$ (5,497,596)</u>	<u>\$ 103,857,618</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 10,463,430	\$ 533,316	\$ 231,744	\$ -	\$ 11,228,490
Due to Special Olympics, Inc.	-	158,541	2,483,710	(2,642,251)	-
Due to Christmas Records Trust	2,581,612	-	-	(2,581,612)	-
Grants and awards payable to affiliates	3,966,253	-	-	-	3,966,253
Deferred revenue and refundable advances	2,918,129	-	-	-	2,918,129
Deferred rent	171,288	-	-	-	171,288
Total current liabilities	<u>20,100,712</u>	<u>691,857</u>	<u>2,715,454</u>	<u>(5,223,863)</u>	<u>18,284,160</u>
NONCURRENT LIABILITIES:					
Long-term deferred rent	270,283	-	-	-	270,283
Total liabilities	<u>20,370,995</u>	<u>691,857</u>	<u>2,715,454</u>	<u>(5,223,863)</u>	<u>18,554,443</u>
NET ASSETS:					
Without donor restrictions:					
Undesignated	2,104,652	13,735	156,903	(273,733)	2,001,557
Designated	50,912,337	-	-	-	50,912,337
Total net assets without donor restrictions	53,016,989	13,735	156,903	(273,733)	52,913,894
With donor restrictions	31,507,141	-	882,140	-	32,389,281
Total net assets	<u>84,524,130</u>	<u>13,735</u>	<u>1,039,043</u>	<u>(273,733)</u>	<u>85,303,175</u>
TOTAL	<u>\$ 104,895,125</u>	<u>\$ 705,592</u>	<u>\$ 3,754,497</u>	<u>\$ (5,497,596)</u>	<u>\$ 103,857,618</u>

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF ACTIVITIES—COMBINING SCHEDULE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Direct mail contributions	\$ 47,376,275	\$ -	\$ -	\$ -	\$ -	\$ 47,376,275
Individual and corporate contributions and sponsorships	54,113,084	317,854	1,309,043	-	-	55,739,981
Federal grants	25,434,659	-	-	-	-	25,434,659
Nonfederal grants	-	174,010	49,583	1,900,000	(1,900,000)	223,593
Accreditation fees	4,224,207	-	-	-	-	4,224,207
Royalty income	726,630	-	-	-	-	726,630
Appreciation in Trust assets—net	6,490,809	-	-	-	-	6,490,809
Other investment income (loss)—net	2,867,902	-	-	-	(2,621,367)	246,535
Other income	<u>2,127,432</u>	<u>-</u>	<u>79,622</u>	<u>-</u>	<u>(108,760)</u>	<u>2,098,294</u>
Total revenues, gains and other support	143,360,998	491,864	1,438,248	1,900,000	(4,630,127)	142,560,983
EXPENSES:						
Program assistance	73,860,690	489,330	1,973,310	-	(2,730,127)	73,593,203
Public education and communications	34,029,301	-	-	352,005	(1,900,000)	32,481,306
Sports training and competitions	6,461,824	-	-	-	-	6,461,824
Fundraising	16,138,190	-	347,803	-	-	16,485,993
Management and general	<u>4,166,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,166,319</u>
Total expenses	<u>134,656,324</u>	<u>489,330</u>	<u>2,321,113</u>	<u>352,005</u>	<u>(4,630,127)</u>	<u>133,188,645</u>
CHANGES IN NET ASSETS	8,704,674	2,534	(882,865)	1,547,995	-	9,372,338
NET ASSETS—Beginning of year	<u>84,524,130</u>	<u>13,735</u>	<u>1,039,043</u>	<u>-</u>	<u>(273,733)</u>	<u>85,303,175</u>
NET ASSETS—End of year	<u>\$ 93,228,804</u>	<u>\$ 16,269</u>	<u>\$ 156,178</u>	<u>\$ 1,547,995</u>	<u>\$ (273,733)</u>	<u>\$ 94,675,513</u>

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF ACTIVITIES—COMBINING SCHEDULE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Direct mail contributions	\$ 45,592,347	\$ -	\$ -	\$ -	\$ 45,592,347
Individual and corporate contributions and sponsorships	67,658,913	821	2,864,373	-	70,524,107
Federal grants	20,962,317	-	-	-	20,962,317
Nonfederal grants	-	879,366	-	-	879,366
Accreditation fees	4,027,184	-	-	-	4,027,184
Royalty income	671,519	-	-	-	671,519
Appreciation in Trust assets—net	311,084	-	-	-	311,084
Other investment income—net	2,120,203	-	-	(2,609,223)	(489,020)
Other income	<u>3,676,799</u>	<u>175,952</u>	<u>1,163</u>	<u>(241,781)</u>	<u>3,612,133</u>
Total revenues, gains and other support	145,020,366	1,056,139	2,865,536	(2,851,004)	146,091,037
EXPENSES:					
Program assistance	79,609,815	1,059,434	2,408,834	(2,851,004)	80,227,079
Public education and communications	30,093,477	-	-	-	30,093,477
Sports training and competitions	9,829,763	-	-	-	9,829,763
Fundraising	15,581,077	-	826,185	-	16,407,262
Management and general	<u>4,251,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,251,115</u>
Total expenses	<u>139,365,247</u>	<u>1,059,434</u>	<u>3,235,019</u>	<u>(2,851,004)</u>	<u>140,808,696</u>
CHANGES IN NET ASSETS	5,655,119	(3,295)	(369,483)	-	5,282,341
NET ASSETS—Beginning of year	<u>78,869,011</u>	<u>17,030</u>	<u>1,408,526</u>	<u>(273,733)</u>	<u>80,020,834</u>
NET ASSETS—End of year	<u>\$ 84,524,130</u>	<u>\$ 13,735</u>	<u>\$ 1,039,043</u>	<u>\$ (273,733)</u>	<u>\$ 85,303,175</u>