



# Special Olympics Virginia, Inc.

## Financial Statements

Year Ended December 31, 2020,  
With Comparative Totals for 2019



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## Independent Auditors' Report

Board of Directors  
Special Olympics Virginia, Inc.  
Richmond, VA

We have audited the accompanying financial statements of Special Olympics Virginia, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Virginia, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



***Report of Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary chapter and areas information on the statements of financial position and activities is presented for purposes of additional analysis 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 information has been subjected to the auditing procedures applied in the audit 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.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2019 financial statements, and our report dated June 3, 2020, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dixon Hughes Goodman LLP*

Richmond, VA  
June 18, 2021

Special Olympics Virginia, Inc.  
Statement of Financial Position  
December 31, 2020, with Comparative Totals for 2019

	Chapter *	Areas *	Total	
			2020	2019
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,749,037	\$ 2,856,693	\$ 4,605,730	\$ 3,970,927
Contributions receivable, net	624,968	-	624,968	465,375
Intercompany (payable) receivable	(4,941)	4,941	-	-
Pledges receivable, current portion	127,500	-	127,500	195,220
Prepaid expenses	43,333	7,923	51,256	65,188
Certificates of deposit	-	67,266	67,266	83,862
Total current assets	2,539,897	2,936,823	5,476,720	4,780,572
Investments	5,765,251	-	5,765,251	5,398,727
Property and equipment, net	265,479	2,275	267,754	300,332
Pledges receivable, less current portion	15,000	-	15,000	5,000
Security deposits	12,499	-	12,499	12,499
Total assets	<u>\$ 8,598,126</u>	<u>\$ 2,939,098</u>	<u>\$ 11,537,224</u>	<u>\$ 10,497,130</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 75,645	\$ 1,337	\$ 76,982	\$ 218,830
Accrued expenses	44,641	-	44,641	44,229
Total current liabilities	120,286	1,337	121,623	263,059
Net assets:				
Without donor restrictions	6,514,508	2,937,761	9,452,269	8,349,935
Without donor restrictions, Board designated	653,804	-	653,804	654,249
Total net assets without donor restrictions	7,168,312	2,937,761	10,106,073	9,004,184
With donor restrictions	1,309,528	-	1,309,528	1,229,887
Total net assets	<u>8,477,840</u>	<u>2,937,761</u>	<u>11,415,601</u>	<u>10,234,071</u>
Total liabilities and net assets	<u>\$ 8,598,126</u>	<u>\$ 2,939,098</u>	<u>\$ 11,537,224</u>	<u>\$ 10,497,130</u>

\* Chapter and Area information is presented for supplementary purposes.

Special Olympics Virginia, Inc.  
Statement of Activities  
Year Ended December 31, 2020, with Comparative Totals for 2019

	Chapter *	Areas *	Total	
			2020	2019
Support and revenue:				
Foundation contributions	\$ 457,886	\$ 14,025	\$ 471,911	\$ 503,529
Individual contributions	479,073	128,306	607,379	495,253
Workplace campaign contributions	35,897	10,344	46,241	59,754
Corporate contributions	457,026	56,061	513,087	638,625
Service club and organization contributions	47,978	80,032	128,010	200,761
Law Enforcement Torch Run contributions	484,325	-	484,325	849,885
State grant funding	10,000	-	10,000	10,000
Affiliated national benefits	8,086	-	8,086	40,248
Business telemarketing campaigns	2,071	-	2,071	126,035
Direct marketing campaigns	504,341	-	504,341	511,000
Contributed services and materials	1,409,131	-	1,409,131	2,978,227
<b>Total support and revenue</b>	<b>3,895,814</b>	<b>288,768</b>	<b>4,184,582</b>	<b>6,413,317</b>
Benefit events for Special Olympics Virginia, Inc:				
Support and revenue	1,271,920	322,733	1,594,653	1,972,792
Expenses	(278,991)	(31,860)	(310,851)	(478,012)
<b>Net benefit events for Special Olympics Virginia, Inc.</b>	<b>992,929</b>	<b>290,873</b>	<b>1,283,802</b>	<b>1,494,780</b>
Other revenue (expense):				
Investment income, net	146,747	4,776	151,523	168,272
Registration fees	81,990	(81,990)	-	-
Gain on investments	308,015	-	308,015	717,981
Loss on disposal of assets	-	-	-	(129)
Miscellaneous	144,343	-	144,343	136,999
Other income	471,353	-	471,353	-
<b>Total other revenue (expense)</b>	<b>1,152,448</b>	<b>(77,214)</b>	<b>1,075,234</b>	<b>1,023,123</b>
<b>Total support and revenue</b>	<b>6,041,191</b>	<b>502,427</b>	<b>6,543,618</b>	<b>8,931,220</b>
Expenses:				
Program services	4,291,691	168,893	4,460,584	6,914,639
Fundraising	564,058	-	564,058	613,571
Administrative	337,446	-	337,446	347,900
<b>Total expenses</b>	<b>5,193,195</b>	<b>168,893</b>	<b>5,362,088</b>	<b>7,876,110</b>

See accompanying notes.

Special Olympics Virginia, Inc.  
Statement of Activities  
Year Ended December 31, 2020, with Comparative Totals for 2019

(Continued)

	Chapter *	Areas *	Total	
			2020	2019
Change in net assets:				
Without donor restrictions	768,800	333,534	<b>1,102,334</b>	986,556
Without donor restrictions, Board designated	(445)	-	<b>(445)</b>	64,919
Total net assets without donor restrictions	768,355	333,534	<b>1,101,889</b>	1,051,475
With donor restrictions	79,641	-	<b>79,641</b>	3,635
Total change in net assets	847,996	333,534	<b>1,181,530</b>	1,055,110
Net assets, beginning of year	7,629,844	2,604,227	<b>10,234,071</b>	9,178,961
Net assets, end of year	<u>\$ 8,477,840</u>	<u>\$ 2,937,761</u>	<u><b>\$ 11,415,601</b></u>	<u>\$ 10,234,071</u>

\* Chapter and Area information is presented for supplementary purposes.

Special Olympics Virginia, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2020, with Comparative Totals for 2019

	Program			Total	
	Services	Fundraising	Administrative	2020	2019
Salaries	\$ 1,698,093	\$ 323,759	\$ 155,134	<b>\$ 2,176,986</b>	\$ 2,123,028
Contributed services and materials	1,401,854	-	-	<b>1,401,854</b>	2,957,231
Employee benefits	267,321	50,967	24,422	<b>342,710</b>	352,608
Occupancy	241,631	41,528	20,018	<b>303,177</b>	299,972
Office supplies and program materials	161,940	1,269	5,059	<b>168,268</b>	275,148
Payroll taxes	121,281	23,124	11,080	<b>155,485</b>	152,032
Accommodations and travel	140,540	4,097	2,048	<b>146,685</b>	736,446
Professional fees	75,483	23,383	15,929	<b>114,795</b>	114,622
Miscellaneous	546	38,283	73,768	<b>112,597</b>	119,591
Equipment rental, maintenance and purchases	49,654	19,812	9,468	<b>78,934</b>	119,027
Insurance	60,133	1,877	7,628	<b>69,638</b>	69,759
Special Olympics, Inc. accreditation fee	67,911	-	-	<b>67,911</b>	94,998
Facilities rental	51,723	-	-	<b>51,723</b>	186,978
Telephone	40,193	6,934	3,371	<b>50,498</b>	52,088
Printing, advertising, dues and licenses	11,758	15,690	3,298	<b>30,746</b>	62,548
Postage and shipping	7,175	993	475	<b>8,643</b>	10,064
Telemarketing campaigns, business	317	347	-	<b>664</b>	65,056
Total expenses before depreciation	4,397,553	552,063	331,698	<b>5,281,314</b>	7,791,196
Depreciation	63,031	11,995	5,748	<b>80,774</b>	84,914
	<u>\$ 4,460,584</u>	<u>\$ 564,058</u>	<u>\$ 337,446</u>	<u><b>\$ 5,362,088</b></u>	<u>\$ 7,876,110</u>

See accompanying notes.

Special Olympics Virginia, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2020, with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,181,530	\$ 1,055,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	80,774	84,914
Bad debt expense	-	4,400
Realized loss (gain) on sale of investments	722	(69,640)
Unrealized gain on investments	(308,737)	(648,341)
Contributed property and equipment	(7,277)	(20,996)
Loss on disposal of assets	-	129
Change in assets and liabilities:		
Contributions receivable, net	(159,593)	(53,526)
Pledges receivable	57,720	107,814
Prepaid expenses	13,932	13,880
Accounts payable	(141,848)	41,565
Accrued expenses	412	(4,581)
Net cash provided by operating activities	<u>717,635</u>	<u>510,728</u>
Cash flows from investing activities:		
Purchase of investments	(3,770,185)	(1,740,726)
Proceeds from sale of investments	3,711,676	1,679,413
Change in certificates of deposit, net	16,596	133,054
Purchase of property and equipment	(40,919)	(53,062)
Net cash (used) provided by investing activities	<u>(82,832)</u>	<u>18,679</u>
Increase in cash and cash equivalents	634,803	529,407
Cash and cash equivalents, beginning of year	<u>3,970,927</u>	<u>3,441,520</u>
Cash and cash equivalents, end of year	<u>\$ 4,605,730</u>	<u>\$ 3,970,927</u>

## Notes to Financial Statements

### 1. Organization and Nature of Activities

Special Olympics Virginia, Inc. (Organization) is a nonstock corporation that provides year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities at no cost to the athletes or their families. The Organization includes the combined accounts of the state chapter and its area programs.

Special Olympics teaches us that we are all vulnerable and valuable at the same time by using sports to unite people with and without disabilities. Our program, however, is about more than just sports. Special Olympics Virginia's year round programs in health, education and community building address inactivity, injustice, intolerance and social isolation by encouraging and empowering people of all abilities.

There are more than 250,000 people with intellectual disabilities in Virginia. Our goal is to reach out to every one of them. In addition to our traditional community-based programming, we continue to work in schools, with the goal of uniting youth and creating more inclusive school communities. We also will create opportunities for families, community members, local leaders, businesses, law enforcement, celebrities, dignitaries and others to band together to change attitudes and support our athletes. No longer is it enough to provide a place for people of all abilities to come together through sport. It is time to demand uncompromising inclusion— in school, employment, healthcare, social activities and yes, sports, too.

Our current strategic plan is focused on program quality, improved athlete performance, increased funding and harnessing digital technology to expand programs.

### 2. Summary of Significant Accounting Policies

#### *Classes of net assets*

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

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors for use in the Organization's operations. Amounts currently designated by the Organization's Board of Directors from net assets without donor restrictions are reported as board designated net assets on the statement of financial position.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Revenue whose restrictions are met in the same year is reflected as revenue without donor restrictions.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

**Chapter and Area information**

The Organization accounts for all activity according to whether it is a chapter or area activity. Accordingly, all financial transactions have been reported by these groupings. The Chapter and Area information is presented for purposes of additional analysis and is not a required part of the financial statements.

**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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Cash and cash equivalents**

The Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents does not include amounts that are part of managed investment accounts. These amounts are included with certificates of deposit and investments on the statement of financial position.

**Property and equipment**

Property and equipment are stated at cost. Expenditures for repairs and maintenance are expensed as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed are removed from the accounts and any gain or loss is reported in current year's operations.

Depreciation and amortization are provided for using various methods over the estimated useful lives as follows for the major classes of assets:

Equipment	4 - 7 years
Furniture	5 - 10 years
Vehicles	5 years
Computer software and website	3 - 4 years
Leasehold improvements	10 years

**Fundraising event revenue recognition**

Amounts received for registration fees for various program events are considered exchange transactions as a reciprocal benefit is received by the attendees. The revenues associated with these events are recognized at a point in time, on the date of the event, at which time the Organization's performance obligation is satisfied. There are no elements of variable consideration, contract costs, or significant financing components associated with this revenue. These fees were approximately \$43,000 in 2020 and are recorded in support and revenue from benefit events for Special Olympics, Inc. on the statement of activities.

**Contributed materials and services**

The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed, are recorded at their fair values in the period received.

**Special Olympics Virginia, Inc.**  
**Notes to Financial Statements**

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The Organization receives contributed services from a variety of unpaid volunteers assisting the Organization in the providing of sports training and athletic competition. The volunteer services are provided primarily by coaches and officials. The value of the contributed services provided by these volunteers in 2020 was \$1,322,011. The value of contributed materials in 2020 provided to the Organization was \$79,843.

In addition, the Organization received contributed services that have not been recognized in the statement of activities because the criteria for recognition under accounting standards have not been satisfied. These volunteer services are provided primarily by area and local coordinators and event management teams. The value of these donated services totaled \$480,300 for 2020.

***Income Taxes***

The Organization is exempt from federal and state income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia and will be taxed only to the extent it has taxable trade or business income unrelated to its exempt purpose. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

***Concentration of credit risk***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. To minimize risk, the Organization places temporary cash investments with high credit quality financial institutions and monitors its investments. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts. As of December 31, 2020, the uninsured balances are approximately \$4,095,295. The Organization believes it is not exposed to any significant credit risk on its cash balances.

***Advertising costs***

The Organization expenses advertising costs as they are incurred. Advertising expense was \$711 for 2020.

***Contributions***

Contribution receivables are carried at their estimated realizable value.

***Subsequent events***

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 18, 2021, the date the financial statements were available to be issued.

***Functional expenses***

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries, payroll taxes & employee benefits are allocated on the basis of time and effort; telemarketing expenses are allocated on the ratio of program and fundraising lines in the telemarketing scripts used. The remaining categories are allocated based on the specific activity to which the expenses are attributable; or based on a blend of time and effort and the specific activity to which expenses are attributable.

### 3. Availability and Liquidity of Financial Assets

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,605,730
Certificates of deposit	<u>67,266</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 4,672,996</u>

The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

### 4. Pledges Receivable

The Organization has unconditional pledges receivable at December 31, 2020 as follows:

2021	\$ 127,500
2022	5,000
2023	5,000
2024	<u>5,000</u>
	<u>\$ 142,500</u>

All pledges are deemed collectible and no discount is deemed necessary as the balances approximate fair value. In order to simplify their accounting process for pledges receivable, the Organization has elected to record all pledges at fair value.

### 5. Investments

Investments are reported at fair value. The cost and fair value of the investments at December 31, 2020 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 333,782	\$ 333,782
Corporate bonds	303,012	324,125
Government obligations	94,831	104,393
Other fixed income	173,067	179,339
Common stock	651,431	930,915
Mutual funds	<u>3,170,821</u>	<u>3,892,697</u>
	<u>\$ 4,726,944</u>	<u>\$ 5,765,251</u>

## 6. Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

### ***Mutual funds, common stock, corporate bonds, government obligations, other fixed income, and money market funds***

Valued at the closing price reported on the active market on which the individual securities are traded.

### ***Pledges receivable***

Pledges receivable are reported at net realizable value if at the time the promise is made, payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value which is calculated as the present value of the expected cash flows to be received.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Special Olympics Virginia, Inc.**  
**Notes to Financial Statements**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds, equities:				
Large cap growth	\$ 613,185	\$ -	\$ -	\$ 613,185
Large cap value	252,146	-	-	252,146
Large cap core	469,213	-	-	469,213
Mid cap core	106,321	-	-	106,321
Small/mid cap core	223,559	-	-	223,559
Small cap growth	69,196	-	-	69,196
Small cap value	42,766	-	-	42,766
International	698,241	-	-	698,241
	<u>2,474,627</u>	<u>-</u>	<u>-</u>	<u>2,474,627</u>
Mutual funds, fixed income:				
High yield	338,258	-	-	338,258
Intermediate	754,196	-	-	754,196
Mortgages	325,616	-	-	325,616
	<u>1,418,070</u>	<u>-</u>	<u>-</u>	<u>1,418,070</u>
Corporate bonds	<u>324,125</u>	<u>-</u>	<u>-</u>	<u>324,125</u>
Other fixed income	<u>179,339</u>	<u>-</u>	<u>-</u>	<u>179,339</u>
Government obligations	<u>104,393</u>	<u>-</u>	<u>-</u>	<u>104,393</u>
Common stock:				
Consumer discretionary	54,815	-	-	54,815
Consumer staples	138,647	-	-	138,647
Energy	30,659	-	-	30,659
Financials	221,159	-	-	221,159
Health care	74,381	-	-	74,381
Industrials	139,624	-	-	139,624
Information technology	71,672	-	-	71,672
Materials	16,110	-	-	16,110
Real estate investment trusts	83,657	-	-	83,657
Other	62,504	-	-	62,504
Utilities	37,687	-	-	37,687
	<u>930,915</u>	<u>-</u>	<u>-</u>	<u>930,915</u>
Money market funds	<u>333,782</u>	<u>-</u>	<u>-</u>	<u>333,782</u>
Total investments at fair value	<u>\$ 5,765,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,765,251</u>
Pledges receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,500</u>	<u>\$ 142,500</u>

## 7. Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Equipment	\$ 227,824
Furniture	213,474
Vehicles	120,585
Computer software and website	246,071
Leasehold improvements	<u>304,345</u>
	1,112,299
Accumulated depreciation	<u>(844,545)</u>
Property and equipment, net	<u>\$ 267,754</u>

## 8. Borrowing Facility

The Organization had an open end revolving line of credit agreement with SunTrust Bank which expired in 2020. Total borrowings available under the agreement were \$300,000, with interest at the one-month London Interbank Offered Rate (LIBOR) plus 2.0%, with a minimum rate of 3.0%. The borrowings were uncollateralized and due on demand. There were no borrowings under this agreement during 2020.

In April 2021, the Organization entered into an open end revolving line of credit agreement with Truist Bank. Total borrowings available under the agreement are \$500,000, with interest at the Truist Prime Rate plus 1.81%, with a minimum of 5.06%. The borrowings are uncollateralized and due on demand.

## 9. Beneficial Interests

When the Organization is named the beneficiary of a trust or estate, the contribution portion of this type of agreement is recognized as revenue when the Organization has the unconditional right to receive benefits under these agreements. The contribution is measured based on the expected future payments to be received using federal discount rates and life expectancy tables.

The Organization has been named as the remainder beneficiary of seven charitable remainder trusts. There is insufficient financial information for this measurement to be calculated and, therefore, no amounts have been recognized for the beneficial interest in these trusts.

## 10. Benefit Events for Special Olympics Virginia, Inc.

Benefit events consist of the following for 2020:

	<u>Polar Plunge</u>	<u>Other</u>	<u>Total</u>
Revenues	\$ 1,309,785	\$ 284,868	\$ 1,594,653
Expenses	<u>(292,096)</u>	<u>(18,755)</u>	<u>(310,851)</u>
	<u>\$ 1,017,689</u>	<u>\$ 266,113</u>	<u>\$ 1,283,802</u>

## 11. Retirement Plan

The Organization has a 401(k) plan which covers qualified employees with at least one year of service and who have reached the age of twenty-one, as defined in the plan documents. This plan covers both the employer and employee contributions. The plan includes a non-elective employer safe harbor provision of 3% of compensation. In July 2020, the Organization temporarily suspended the discretionary contribution which had until then been an additional 5% of compensation. Employees are fully vested in the employer's profit sharing contributions after 3 years of service. Total expense for the 401(k) plan for 2020 was \$104,462.

## 12. Severance Benefit Plan

Effective July 1, 1993, the Organization established a severance benefit plan to provide severance benefits upon the termination of employment of eligible participating employees. Contributions to the plan are made through employee contribution elections in lieu of compensation. There were no employer contributions to the severance benefit plan during 2020.

## 13. Allocation of Joint Costs

During 2020, the Organization conducted activities that included requests for contributions, as well as program components. Those activities included business telemarketing campaigns. The costs of conducting those activities included a total of \$664 in joint costs, which are not specifically attributable to particular components of the activities. These costs were allocated as follows:

Fundraising	\$ 317
Program	<u>347</u>
	<u>\$ 664</u>

#### 14. Related Party Transactions

The Organization has contributions receivable and pledges receivable in the amount of \$325,009 and \$15,000, respectively, due from Special Olympics, Inc. (SOI) as of December 31, 2020. During the year ended December 31, 2020, the Organization received approximately \$504,000 from SOI in direct marketing campaigns. Of this amount, approximately \$38,000 was receivable from SOI and is included in contributions receivable on the accompanying statement of financial position.

The affiliated support for 2020 in the amount of \$8,086 represents the Organization's allocable share of contributions raised by SOI.

For 2020, the Organization was assessed fees by SOI. The total fees included in expenses were \$67,911.

#### 15. Commitments

The Organization leases office space, storage space and equipment for periods ranging from one month to greater than one year. The total lease expense for 2020 was \$325,678.

The following is a schedule of minimum rental payments required for subsequent years ending December 31 on leases with an initial or remaining lease term in excess of one year.

2021	263,768
2022	252,705
2023	227,853
2024	213,885
2025	215,022
Thereafter	<u>1,421,304</u>
	<u>\$ 2,594,537</u>

#### 16. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2020:

	<u>Temporary Restriction</u>	<u>Perpetual Restriction</u>	<u>Total with Donor Restriction</u>
Tennis invitational tournament	\$ 160,565	\$ 360,000	\$ 520,565
Scholarships	137,032	250,000	387,032
Unified Champion Schools	262,959	-	262,959
Healthy Athletes	18,889	66,000	84,889
State Championships	17,498	-	17,498
Volleyball	220	-	220
Dream Ride	3,500	-	3,500
Miscellaneous grants	17,865	-	17,865
Time restricted pledges	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<u>\$ 633,528</u>	<u>\$ 676,000</u>	<u>\$ 1,309,528</u>

**Special Olympics Virginia, Inc.**  
**Notes to Financial Statements**

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors as follows:

Healthy Athletes	\$ 72,625
State Championships	17,096
Tennis invitational tournament	30,969
Scholarships	8,800
Receipt of time restricted pledges	5,000
Miscellaneous grants	518,015
Unified Champion Schools	<u>245,277</u>
Total restrictions released	<u>\$ 897,782</u>

**17. Endowment Funds**

The Organization's endowment consists of five funds. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The donor-restricted funds were established for scholarships to state events, the tennis invitational tournament and healthy athletes programs. The board designated fund was established to support the Organization's efforts stated in the strategic plan to improve program delivery and provide effective support services, as well as to fund healthy athletes programs. As required by U.S. GAAP, net assets associated with these endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, 2020, the endowment net asset composition by type of fund was as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		<u>Total</u>
		<u>Temporary Restriction</u>	<u>Perpetual Restriction</u>	
Donor-restricted endowments	\$ -	\$ 245,768	\$ 676,000	\$ 921,768
Board-designated endowments	<u>653,804</u>	<u>-</u>	<u>-</u>	<u>653,804</u>
	<u>\$ 653,804</u>	<u>\$ 245,768</u>	<u>\$ 676,000</u>	<u>\$ 1,575,572</u>

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature. Virginia's version of UPMIFA was enacted during 2008. The Organization's Board of Directors has interpreted the relevant state law 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, the Organization classifies as permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the state UPMIFA law.

**Special Olympics Virginia, Inc.**  
**Notes to Financial Statements**

A summary of the activity in endowment funds for the year ended December 31, 2020 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		
		<u>Temporary Restriction</u>	<u>Perpetual Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 654,249	\$ 246,371	\$ 676,000	\$ 1,576,620
Investment return:				
Investment income	17,410	23,538	-	40,948
Net realized and unrealized gain	9,565	12,930	-	22,495
Appropriations for expenditure	<u>(27,420)</u>	<u>(37,071)</u>	<u>-</u>	<u>(64,491)</u>
Endowment net assets, end of year	<u>\$ 653,804</u>	<u>\$ 245,768</u>	<u>\$ 676,000</u>	<u>\$ 1,575,572</u>

From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or state UPMIFA guidelines require the organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, any deficiencies of this nature are reported in restricted net assets. As of December 31, 2020, there were no such deficiencies.

In accordance with state UPMIFA law, the Organization 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 the Organization 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 the Organization, and (7) the investment policies of the Organization.

***Endowment Investing and Spending Policies***

The primary objective of the Organization’s investment policy is long-term capital appreciation and growth of the endowment to generate additional resources for use in accordance with donor intent. The custodial account consists of common stocks, fixed income investments and cash equivalents.

Unless otherwise specified by the donor, the Organization’s spending policy is to draw 4% of the investment annually. From time to time, due to unfavorable market conditions, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the permanently restricted net assets amount. When fund deficiencies exist, the management will evaluate the spending policy and may choose a smaller draw percentage. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow for long-term capital appreciation of the endowment. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**18. Paycheck Protection Program**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration’s 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organization received \$471,353 under the PPP. The Organization believes that it was eligible under the PPP to receive the funds and has met the requirements under the program to have the loan forgiven. Therefore, management has concluded that the receipt of these funds represents a government grant. Accounting principles generally accepted in the United States of America do not provide explicit guidance on accounting for government grants provided to business entities. The Organization elected to account for the receipt of these funds as a government grant under ASC 958-605. These funds were recognized as a refundable advance when received and classified in accordance with the scheduled maturity outlined in the PPP loan agreement assuming a ten month deferral of payments from the end of the Organization's covered period. Grant income under this method of accounting may only be recognized when the conditions attached to the grant have been substantially met. The Organization has fully utilized the proceeds of the loan for qualifying expenses under the PPP and the Organization's covered period was closed as of the statement of financial position date. A forgiveness calculation has been prepared and submitted to the Organization's lender indicating that the full amount of the loan qualifies for forgiveness. The Organization believes it has substantially met the conditions attached to the grant as of the statement of financial position date and received formal confirmation from its lender in March 2021 that the loan has been forgiven and is presented in the accompanying statement of activities as other income.

## **19. Comparative Totals**

The financial statements, specifically the statement of functional expenses, include certain prior-year summarized comparative information in total but not complete detail. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for 2019 from which the summarized information was derived.

## **20. Risk and Uncertainty**

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

The COVID-19 pandemic has disrupted the operational and financial performance of the Organization and there is uncertainty in the nature and degree of its continued effects on the Organization over time. The extent to which it will impact the Organization going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our customers, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.