

Special Olympics Virginia, Inc.

Independent Auditor's Report and Financial Statements

**Year Ended December 31, 2022,
With Comparative Totals for 2021**



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Special Olympics Virginia, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Special Olympics Virginia, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization adopted ASU 2016-02, *Leases (Topic 842)*, effective January 1, 2022. The Organization adopted this standard using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with adoption of this standard. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Virginia, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Special Olympics Virginia, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Virginia, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

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 2021 financial statements, and our report dated May 31, 2022, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

FORVIS, LLP

Richmond, VA

May 31, 2023

Special Olympics Virginia, Inc.
Statement of Financial Position
December 31, 2022, with Comparative Totals for 2021

	Chapter *	Areas *	Total	
			2022	2021
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,199,295	\$ 3,462,097	\$ 5,661,392	\$ 5,755,539
Contributions receivable	714,707	-	714,707	649,100
ERC grant receivable	451,387	-	451,387	188,950
Intercompany (payable) receivable	(3,674)	3,674	-	-
Pledges receivable, current portion	138,400	-	138,400	182,499
Prepaid expenses	117,517	3,051	120,568	61,315
Certificates of deposit	-	68,299	68,299	68,009
Other receivables, current portion	3,000	-	3,000	-
Total current assets	3,620,632	3,537,121	7,157,753	6,905,412
Investments	6,116,810	-	6,116,810	6,307,739
Property and equipment, net	224,023	5,403	229,426	213,003
Right of use assets, operating leases	2,286,567	6,988	2,293,555	-
Pledges receivable, less current portion	20,000	-	20,000	35,000
Other receivables, less current portion	18,577	-	18,577	-
Security deposits	12,499	-	12,499	12,499
Total assets	\$ 12,299,108	\$ 3,549,512	\$ 15,848,620	\$ 13,473,653
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 200,374	\$ 25,698	\$ 226,072	\$ 126,725
Accrued expenses	45,142	-	45,142	45,480
Short-term operating lease liabilities	240,664	6,449	247,113	-
Refundable advance - conditional PPP grant	-	-	-	471,352
Total current liabilities	486,180	32,147	518,327	643,557
Long-term operating lease liabilities	2,086,378	539	2,086,917	-
Total liabilities	2,572,558	32,686	2,605,244	643,557
Net assets:				
Without donor restrictions	6,905,819	3,516,826	10,422,645	10,470,111
Without donor restrictions, Board designated	1,334,535	-	1,334,535	718,770
Total net assets without donor restrictions	8,240,354	3,516,826	11,757,180	11,188,881
With donor restrictions	1,486,196	-	1,486,196	1,641,215
Total net assets	9,726,550	3,516,826	13,243,376	12,830,096
Total liabilities and net assets	\$ 12,299,108	\$ 3,549,512	\$ 15,848,620	\$ 13,473,653

* Chapter and Area information is presented for supplementary purposes.

Special Olympics Virginia, Inc.
Statement of Activities
Year Ended December 31, 2022, with Comparative Totals for 2021

	Chapter *	Areas *	Total	
			2022	2021
Support and revenue:				
Foundation contributions	\$ 735,810	\$ 18,541	\$ 754,351	\$ 770,161
Individual contributions	515,895	162,476	678,371	635,756
Workplace campaign contributions	33,366	4,861	38,227	50,496
Corporate contributions	991,801	59,356	1,051,157	693,630
Service club and organization contributions	68,683	113,290	181,973	97,574
Law Enforcement Torch Run contributions	807,320	-	807,320	564,984
State grant funding	275,000	-	275,000	60,000
Affiliated national benefits	48,535	-	48,535	11,231
Business telemarketing campaigns	-	-	-	19,155
Direct marketing campaigns	497,996	-	497,996	565,324
ERC grant income	451,387	-	451,387	188,950
Contributed services and materials	2,083,069	-	2,083,069	510,934
Total support and revenue	6,508,862	358,524	6,867,386	4,168,195
Benefit events for Special Olympics Virginia, Inc:				
Support and revenue	1,259,137	396,567	1,655,704	1,299,589
Expenses	(358,027)	(52,591)	(410,618)	(181,289)
Net benefit events for Special Olympics Virginia, Inc.	901,110	343,976	1,245,086	1,118,300
Other revenue:				
Investment income, net	155,606	5,673	161,279	195,994
Registration fees	37,434	(37,434)	-	-
(Loss) gain on investments	(1,076,515)	-	(1,076,515)	440,517
Loss on disposal of assets	(2,136)	-	(2,136)	-
Miscellaneous	165,834	-	165,834	162,101
Other income	471,352	-	471,352	-
Total other revenue	(248,425)	(31,761)	(280,186)	798,612
Total support and revenue	7,161,547	670,739	7,832,286	6,085,107
Expenses:				
Program services	5,887,200	403,877	6,291,077	3,760,313
Fundraising	681,591	-	681,591	550,506
Administrative	446,338	-	446,338	359,793
Total expenses	7,015,129	403,877	7,419,006	4,670,612
Transfers	42,400	(42,400)	-	-

See accompanying notes.

Special Olympics Virginia, Inc.

Statement of Activities

Year Ended December 31, 2022, with Comparative Totals for 2021

(Continued)

	Chapter *	Areas *	Total	
			2022	2021
Change in net assets:				
Without donor restrictions	(271,928)	224,462	(47,466)	1,017,842
Without donor restrictions, Board designated	615,765	-	615,765	64,966
Total net assets without donor restrictions	343,837	224,462	568,299	1,082,808
With donor restrictions	(155,019)	-	(155,019)	331,687
Total change in net assets	188,818	224,462	413,280	1,414,495
Net assets, beginning of year	9,537,732	3,292,364	12,830,096	11,415,601
Net assets, end of year	<u>\$ 9,726,550</u>	<u>\$ 3,516,826</u>	<u>\$13,243,376</u>	<u>\$ 12,830,096</u>

* Chapter and Area information is presented for supplementary purposes.

Special Olympics Virginia, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022, with Comparative Totals for 2021

	Program			Total	
	Services	Fundraising	Administrative	2022	2021
Salaries	\$ 1,851,036	\$ 372,073	\$ 160,520	\$ 2,383,629	\$ 2,130,440
Contributed services and materials	2,067,501	1,177	508	2,069,186	508,088
Accommodations and travel	552,465	13,900	6,925	573,290	157,258
Professional fees	251,925	25,630	127,797	405,352	265,805
Employee benefits	282,267	56,738	24,479	363,484	363,722
Lease expense, occupancy	297,549	51,082	22,542	371,173	308,389
Office supplies and program materials	315,836	7,951	5,691	329,478	171,034
Payroll taxes	136,436	27,425	11,832	175,693	158,641
Lease expense, equipment rental, maintenance, and purchases	113,475	40,067	12,595	166,137	100,698
Facilities short-term rentals	123,929	-	3,390	127,319	50,026
Special Olympics, Inc. accreditation fee	89,249	-	-	89,249	69,255
Miscellaneous	88	40,279	44,096	84,463	104,105
Insurance	65,637	1,705	9,225	76,567	76,575
Printing, advertising, dues and licenses	36,182	22,653	7,762	66,597	45,772
Telephone	35,461	6,962	2,995	45,418	47,951
Postage and shipping	8,533	1,364	551	10,448	10,568
Bad debt expense	20	-	-	20	15,000
Telemarketing campaigns, business	-	-	-	-	7,939
Total expenses before depreciation	6,227,589	669,006	440,908	7,337,503	4,591,266
Depreciation	63,488	12,585	5,430	81,503	79,346
	<u>\$6,291,077</u>	<u>\$ 681,591</u>	<u>\$ 446,338</u>	<u>\$7,419,006</u>	<u>\$4,670,612</u>

See accompanying notes.

Special Olympics Virginia, Inc.
Statement of Cash Flows
Year Ended December 31, 2022, with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 413,280	\$ 1,414,495
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	81,503	79,346
Bad debt expense	20	15,000
Realized gain on sale of investments	(31,643)	(362,778)
Unrealized loss (gain) on investments	1,108,158	(77,739)
Loss on disposal of property and equipment	2,136	-
Contributed property and equipment	(3,883)	(2,846)
Contributions restricted for investment in endowment	(17,000)	(42,400)
Noncash operating lease expense	233,352	-
Change in assets and liabilities:		
Contributions receivable	(65,607)	(24,132)
ERC grant receivable	(262,437)	(188,950)
Pledges receivable	59,079	(89,999)
Prepaid expenses	(59,253)	(10,059)
Other receivables	(21,577)	-
Accounts payable	99,347	49,743
Accrued expenses	(338)	839
Operating lease liabilities	(192,877)	-
Refundable advance - conditional PPP grant	(471,352)	471,352
Net cash provided by operating activities	<u>870,908</u>	<u>1,231,872</u>
Cash flows from investing activities:		
Purchase of investments	(5,688,724)	(2,425,101)
Proceeds from sale of investments	4,803,138	2,323,130
Change in certificates of deposit, net	(290)	(743)
Purchase of property and equipment	(96,179)	(21,749)
Net cash used by investing activities	<u>(982,055)</u>	<u>(124,463)</u>
Cash flows from financing activities:		
Contributions restricted for investment in endowment	<u>17,000</u>	<u>42,400</u>
(Decrease) increase in cash and cash equivalents	(94,147)	1,149,809
Cash and cash equivalents, beginning of year	<u>5,755,539</u>	<u>4,605,730</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,661,392</u></u>	<u><u>\$ 5,755,539</u></u>

See accompanying notes.

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 U.S. GAAP 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 \$88,000 in 2022 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.

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 2022 was \$1,680,683. The value of contributed materials in 2022 provided to the Organization was \$402,386.

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 \$939,961 for 2022.

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, 2022, the uninsured balances are approximately \$5,542,086. The Organization believes it is not exposed to any significant credit risk on its cash balances.

Changes in accounting principles

Contributed Nonfinancial Assets

During 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Foundation to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosures include: the Organization's policy about monetizing rather than utilizing contributed nonfinancial assets, any donor-imposed restrictions associated with the contributed nonfinancial asset, the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The Organization reported contributed nonfinancial assets separately in the statement of activities for the year ended December 31, 2021. Therefore, no retroactive adjustments were made to the statement of activities for the year ended December 31, 2021 for the adoption of ASU 2020-07.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

Special Olympics Virginia, Inc.
Notes to Financial Statements

The Organization adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard.

The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$2,526,907 for Chapter and \$13,387 for Area. The standard did not significantly affect the Organization's statements of activities or cash flows.

	ASC 842		
	December 31,	Adjustment	January 1,
	2021	January 1	2022
	<u>As Reported</u>	<u>2022</u>	<u>As Adjusted</u>
Assets			
Right-of-use assets – operating leases	\$ -	\$ 2,540,294	\$ 2,540,294
Liabilities			
Operating lease liabilities	\$ -	\$ 2,540,294	\$ 2,540,294

Leases

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

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and equipment.

The Organization uses the implicit rate when readily determinable. If the lease does not provide an implicit rate, the Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Advertising costs

The Organization expenses advertising costs as they are incurred. Advertising expense was \$4,539 for 2022.

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 May 31, 2023, 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, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 5,661,392
Certificates of deposit	<u>68,299</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,729,691</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, 2022 as follows:

2023	\$ 138,400
2024	<u>20,000</u>
	<u>\$ 158,400</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. Other Receivables

The Organization has restitution receivables at December 31, 2022 as follows:

2023	\$ 3,000
2024	3,000
2025	3,000
2026	3,000
2027	3,000
Thereafter	<u>6,577</u>
	<u>\$ 21,577</u>

6. Investments

Investments are reported at fair value. The cost and fair value of the investments at December 31, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 656,728	\$ 656,728
Corporate bonds	590,438	559,349
Other fixed income	240,843	226,997
Common stock	927,639	1,131,589
Mutual funds	<u>3,551,336</u>	<u>3,542,147</u>
	<u>\$ 5,966,984</u>	<u>\$ 6,116,810</u>

7. 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, 2022.

Mutual funds, common stock, corporate bonds, 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds, equities:				
Large cap growth	\$ 297,455	\$ -	\$ -	\$ 297,455
Large cap value	460,744	-	-	460,744
Large cap core	466,225	-	-	466,225
Mid cap core	99,893	-	-	99,893
Small/mid cap core	211,796	-	-	211,796
Small cap growth	126,716	-	-	126,716
Small cap value	126,117	-	-	126,117
REITs/real estate funds	132,032	-	-	132,032
International	<u>470,302</u>	<u>-</u>	<u>-</u>	<u>470,302</u>
	<u>2,391,280</u>	<u>-</u>	<u>-</u>	<u>2,391,280</u>
Mutual funds, fixed income:				
High yield	279,395	-	-	279,395
Intermediate	659,717	-	-	659,717
Short-term	-	-	-	-
Mortgages	<u>211,755</u>	<u>-</u>	<u>-</u>	<u>211,755</u>
	<u>1,150,867</u>	<u>-</u>	<u>-</u>	<u>1,150,867</u>
Corporate bonds	<u>559,349</u>	<u>-</u>	<u>-</u>	<u>559,349</u>
Other fixed income	<u>226,997</u>	<u>-</u>	<u>-</u>	<u>226,997</u>

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Common stock:				
Communication Services	57,140	-	-	57,140
Consumer Cyclical	76,453	-	-	76,453
Consumer Defensive	135,324	-	-	135,324
Energy	94,120	-	-	94,120
Financial Services	284,733	-	-	284,733
Health care	138,362	-	-	138,362
Industrials	150,658	-	-	150,658
Real estate	117,306	-	-	117,306
Technology	51,661	-	-	51,661
Utilities	<u>25,832</u>	<u>-</u>	<u>-</u>	<u>25,832</u>
	<u>1,131,589</u>	<u>-</u>	<u>-</u>	<u>1,131,589</u>
Money market funds	<u>656,728</u>	<u>-</u>	<u>-</u>	<u>656,728</u>
Total investments at fair value	<u>\$ 6,116,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,116,810</u>
Pledges receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,400</u>	<u>\$ 158,400</u>

8. Property and Equipment

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

Equipment	\$ 215,398
Furniture	234,199
Vehicles	124,829
Computer software and website	283,947
Leasehold improvements	<u>313,022</u>
	1,171,395
Accumulated depreciation	<u>(941,969)</u>
Property and equipment, net	<u>\$ 229,426</u>

9. Borrowing Facility

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. There were no borrowings under this agreement during 2022.

10. 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.

Special Olympics Virginia, Inc.
Notes to Financial Statements

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.

11. Benefit Events for Special Olympics Virginia, Inc.

Benefit events consist of the following for 2022:

	<u>Polar Plunge</u>	<u>Other</u>	<u>Total</u>
Revenues	\$ 1,048,012	\$ 607,692	\$ 1,655,704
Expenses	<u>(257,406)</u>	<u>(153,211)</u>	<u>(410,618)</u>
	<u>\$ 790,606</u>	<u>\$ 454,480</u>	<u>\$ 1,245,086</u>

12. Contributed Nonfinancial Assets and Services

Contributed nonfinancial assets and services recognized in the statement of activities as of December 31, 2022 include the following:

	<u>Programs</u>	
Contributed materials	Sports competition programs	\$ 398,503
Contributed fixed assets	General and administrative	3,883
Contributed services	Sports competition programs	<u>1,680,683</u>
		<u>\$ 2,083,069</u>

The following basis was used for valuing contributed items:

- Contributed materials includes facilities, supplies and broadcast media services. The value of facilities is based on appraisals or by multiplying the square footage by the estimated market price per square foot. The value of supplies and broadcast media services is based on the fair market value of the donation.
- Contributed fixed assets value is based on the fair market value of the furniture donated.
- Contributed services includes the value of unpaid volunteers is based on multiplying the number of volunteer hours by the estimated labor rates for the type of service provided.

13. 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 and the Organization has elected in 2022 to contribute an additional 5% of compensation above this provision for the employer profit sharing contribution. Employees are fully vested in the employer's profit-sharing contributions after 3 years of service. Total expense for the 401(k) plan for 2022 was \$150,943.

14. 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 2022.

15. Related Party Transactions

The Organization has contributions receivable in the amount of \$459,636 due from Special Olympics, Inc. (SOI) as of December 31, 2022. During the year ended December 31, 2022, the Organization received approximately \$498,000 from SOI in direct marketing campaigns. Of this amount, approximately \$70,000 was receivable from SOI and is included in contributions receivable on the accompanying statement of financial position.

The affiliated support for 2022 in the amount of \$48,535 represents the Organization's allocable share of contributions raised by SOI.

For 2022, the Organization was assessed fees by SOI. The total fees included in expenses were \$89,249.

16. Operating Leases

In December 1998, the Organization entered into a new lease agreement for office space with Sunset Place LLC for a six-year period and has been amended seven times. The current lease amendment was effective January 2020 and expires in December 2031.

In July 2013, the Organization entered into a new lease agreement for office space with Aspen Land Development LLC for a five-year period and has been amended once. The current lease amendment was effective July 2018 and expires in July 2023.

In July 2007, the Organization entered into a new lease agreement for office space with BP Drive LLC for a five-year period and has been amended three times. The current lease amendment was effective June 2022 and expires in June 2028.

In May 2005, the Organization entered into a new lease agreement for office space with NREF-CT NOVA FOP Borrower, LLC for a ten-year period and has been amended three times. The current lease amendment was effective April 2020 and expires in September 2023.

In October 1994, the Organization entered into a new lease agreement for office space with Interstate Management, INC for a two-year period and has been amended fourteen times. The current lease amendment was effective February 2021 and expires in January 2024.

Operating lease expense was \$317,046 for 2022.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Special Olympics Virginia, Inc.
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	<u>2022</u>
Other Information	
Operating cash flows from operating leases	\$ 276,043
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,571,273
Weighted-average remaining lease term in years for operating leases	8.90
Weighted-average discount rate for operating leases	1.61%

Future minimum operating lease payments at December 31, 2022, are as follows:

2023	\$ 282,554
2024	263,404
2025	265,730
2026	266,747
2027	263,372
Thereafter	<u>1,171,501</u>
Total future undiscovered lease payments	2,513,308
Less: imputed interest	<u>(179,278)</u>
	<u>\$ 2,334,030</u>

17. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2022:

	<u>Temporary Restriction</u>	<u>Perpetual Restriction</u>	<u>Total with Donor Restriction</u>
Tennis invitational tournament	\$ 173,529	\$ 360,000	\$ 533,529
Scholarships	136,505	267,000	403,505
Unified Champion Schools	314,781	-	314,781
Healthy Athletes	46,641	66,000	112,641
Dream Ride	5,120	-	5,120
Sailing, swimming, cycling & skiing (Area 26)	23,237	42,400	65,637
Miscellaneous grants	45,983	-	45,983
Time restricted pledges	<u>5,000</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 750,796</u>	<u>\$ 735,400</u>	<u>\$ 1,486,196</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	\$ 167,425
Volleyball	320
Global messengers	20,000
Dream ride	1,702
Tennis invitational tournament	43,652
Sailing, swimming, cycling & skiing (Area 26)	15,059
Scholarships	49,330
Receipt of time restricted pledges	30,000
Miscellaneous grants	710,404
Unified Champion Schools	<u>426,511</u>
Total restrictions released	<u>\$ 1,464,403</u>

18. Endowment Funds

The Organization's endowment consists of eight 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, healthy athletes programs and several sports (sailing, swimming, cycling and skiing) in Area 26. 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, to fund healthy athletes programs and to allow us to move forward with future initiatives. 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, 2022, the endowment net asset composition by type of fund was as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		
		<u>Temporary Restriction</u>	<u>Perpetual Restriction</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 198,188	\$ 735,400	\$ 933,588
Board-designated endowments	<u>1,334,535</u>	<u>-</u>	<u>-</u>	<u>1,334,535</u>
	<u>\$ 1,334,535</u>	<u>\$ 198,188</u>	<u>\$ 735,400</u>	<u>\$ 2,268,123</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.

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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 net assets with donor restrictions. Deficiencies of this nature total \$45,309 as of December 31, 2022.

A summary of the activity in endowment funds for the year ended December 31, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction		
		Temporary Restriction	Perpetual Restriction	Total
Endowment net assets, beginning of year	\$ 718,770	\$ 333,603	\$ 718,400	\$ 1,770,773
Contributions	750,000	-	17,000	767,000
Investment return:				
Investment income	29,226	24,058	-	53,284
Net realized and unrealized loss	(104,197)	(124,607)	-	(228,804)
Appropriations for expenditure	<u>(59,264)</u>	<u>(34,866)</u>	<u>-</u>	<u>(94,130)</u>
Endowment net assets, end of year	<u>\$ 1,334,535</u>	<u>\$ 198,188</u>	<u>\$ 735,400</u>	<u>\$ 2,268,123</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, 2022, 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.

19. 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.

During 2021, the Organization received \$471,352 under the PPP. The Organization believed that it was eligible under the PPP to receive the funds and had met the requirements under the program to have the loan forgiven. Therefore, management concluded that the receipt of these funds represented a government grant. 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 fully utilized the proceeds of the loan for qualifying expenses under the PPP during 2021 and the Organization's covered period was closed as of the statement of December 31, 2021. A forgiveness calculation was prepared and submitted to the Organization's lender indicating that the full amount of the loan qualifies for forgiveness. The Organization believed it had substantially met the conditions attached to the grant as of December 31, 2021 and received formal confirmation from its lender in August 2022 that the loan has been forgiven and is presented in the accompanying statement of activities as other income during the year ended December 31, 2022.

20. Employee Retention Credit

In response to the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021. The credit is only available for 50 percent of the qualified wages with a maximum potential credit per qualified employee of \$5,000 for 2020 and \$7,000 per quarter for 2021.

The Organization qualifies for the ERC based on a partial shutdown and has elected to account for the ERC as a government grant by analogy of ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. During 2020, the Organization incurred qualifying wages. During 2021, the Organization performed the ERC calculation relating to 2020 and filed amended returns such that \$179,786 of grant income and \$9,164 of related interest income has been recognized in the accompanying statement of activities. During 2022, the Organization performed the ERC calculation relating to 2021 and filed amended returns such that \$451,387 of grant income has been recognized in the accompanying statement of activities.

21. 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 2021 from which the summarized information was derived.

22. Commitments

The Organization has entered into a contract for a customer relationship management system for a total of approximately \$309,000. As of December 31, 2022, \$242,314 remains to be paid. The project is expected to be completed in 2023.