



Special Olympics Virginia, Inc.

Financial Statements

**Year Ended December 31, 2021,
With Comparative Totals for 2020**



Table of Contents

| | |
|---------------------------------------|---|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statement of Financial Position..... | 4 |
| Statement of Activities..... | 5 |
| Statement of Functional Expenses..... | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements..... | 9 |



Independent Auditors' Report

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

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, 2021, 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, 2021, 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 Auditors' 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.

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.

Auditors' 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 auditors' 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 2020 financial statements, and our report dated June 18, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

Richmond, VA
May 31, 2022

Special Olympics Virginia, Inc.
Statement of Financial Position
December 31, 2021, with Comparative Totals for 2020

| | Chapter * | Areas * | Total | |
|--|---------------|--------------|---------------|---------------|
| | | | 2021 | 2020 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,529,796 | \$ 3,225,743 | \$ 5,755,539 | \$ 4,605,730 |
| Contributions receivable, net | 649,100 | - | 649,100 | 624,968 |
| ERC grant receivable | 188,950 | - | 188,950 | - |
| Intercompany (payable) receivable | (461) | 461 | - | - |
| Pledges receivable, current portion | 182,499 | - | 182,499 | 127,500 |
| Prepaid expenses | 57,761 | 3,554 | 61,315 | 51,256 |
| Certificates of deposit | - | 68,009 | 68,009 | 67,266 |
| | | | | |
| Total current assets | 3,607,645 | 3,297,767 | 6,905,412 | 5,476,720 |
| Investments | 6,307,739 | - | 6,307,739 | 5,765,251 |
| Property and equipment, net | 206,723 | 6,280 | 213,003 | 267,754 |
| Pledges receivable, less current portion | 35,000 | - | 35,000 | 15,000 |
| Security deposits | 12,499 | - | 12,499 | 12,499 |
| | | | | |
| Total assets | \$ 10,169,606 | \$ 3,304,047 | \$ 13,473,653 | \$ 11,537,224 |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 115,042 | \$ 11,683 | \$ 126,725 | \$ 76,982 |
| Accrued expenses | 45,480 | - | 45,480 | 44,641 |
| Refundable advance - conditional PPP grant | 471,352 | - | 471,352 | - |
| | | | | |
| Total current liabilities | 631,874 | 11,683 | 643,557 | 121,623 |
| Net assets: | | | | |
| Without donor restrictions | 7,177,747 | 3,292,364 | 10,470,111 | 9,452,269 |
| Without donor restrictions, Board designated | 718,770 | - | 718,770 | 653,804 |
| Total net assets without donor restrictions | 7,896,517 | 3,292,364 | 11,188,881 | 10,106,073 |
| With donor restrictions | 1,641,215 | - | 1,641,215 | 1,309,528 |
| | | | | |
| Total net assets | 9,537,732 | 3,292,364 | 12,830,096 | 11,415,601 |
| | | | | |
| Total liabilities and net assets | \$ 10,169,606 | \$ 3,304,047 | \$ 13,473,653 | \$ 11,537,224 |

* Chapter and Area information is presented for supplementary purposes.

Special Olympics Virginia, Inc.
Statement of Activities
Year Ended December 31, 2021, with Comparative Totals for 2020

| | Chapter * | Areas * | Total | |
|--|------------|-----------|------------|------------|
| | | | 2021 | 2020 |
| Support and revenue: | | | | |
| Foundation contributions | \$ 747,397 | \$ 22,764 | \$ 770,161 | \$ 471,911 |
| Individual contributions | 523,358 | 112,398 | 635,756 | 607,379 |
| Workplace campaign contributions | 39,751 | 10,745 | 50,496 | 46,241 |
| Corporate contributions | 627,099 | 66,531 | 693,630 | 513,087 |
| Service club and organization contributions | 37,183 | 60,391 | 97,574 | 128,010 |
| Law Enforcement Torch Run contributions | 564,984 | - | 564,984 | 484,325 |
| State grant funding | 60,000 | - | 60,000 | 10,000 |
| Affiliated national benefits | 11,231 | - | 11,231 | 8,086 |
| Business telemarketing campaigns | 19,155 | - | 19,155 | 2,071 |
| Direct marketing campaigns | 565,324 | - | 565,324 | 504,341 |
| ERC grant income | 188,950 | - | 188,950 | - |
| Contributed services and materials | 510,934 | - | 510,934 | 1,409,131 |
| Total support and revenue | 3,895,366 | 272,829 | 4,168,195 | 4,184,582 |
| Benefit events for Special Olympics Virginia, Inc: | | | | |
| Support and revenue | 1,013,616 | 285,973 | 1,299,589 | 1,594,653 |
| Expenses | (154,500) | (26,789) | (181,289) | (310,851) |
| Net benefit events for Special Olympics Virginia, Inc. | 859,116 | 259,184 | 1,118,300 | 1,283,802 |
| Other revenue: | | | | |
| Investment income, net | 194,848 | 1,146 | 195,994 | 151,523 |
| Gain on investments | 440,517 | - | 440,517 | 308,015 |
| Miscellaneous | 162,101 | - | 162,101 | 144,343 |
| Other income | - | - | - | 471,353 |
| Total other revenue | 797,466 | 1,146 | 798,612 | 1,075,234 |
| Total support and revenue | 5,551,948 | 533,159 | 6,085,107 | 6,543,618 |
| Expenses: | | | | |
| Program services | 3,581,757 | 178,556 | 3,760,313 | 4,460,584 |
| Fundraising | 550,506 | - | 550,506 | 564,058 |
| Administrative | 359,793 | - | 359,793 | 337,446 |
| Total expenses | 4,492,056 | 178,556 | 4,670,612 | 5,362,088 |

See accompanying notes.

Special Olympics Virginia, Inc.
Statement of Activities
Year Ended December 31, 2021, with Comparative Totals for 2020

(Continued)

| | Chapter * | Areas * | Total | |
|--|---------------------|---------------------|----------------------------|----------------------|
| | | | 2021 | 2020 |
| Change in net assets: | | | | |
| Without donor restrictions | 663,239 | 354,603 | 1,017,842 | 1,102,334 |
| Without donor restrictions, Board designated | 64,966 | - | 64,966 | (445) |
| Total net assets without donor restrictions | 728,205 | 354,603 | 1,082,808 | 1,101,889 |
| With donor restrictions | 331,687 | - | 331,687 | 79,641 |
| Total change in net assets | 1,059,892 | 354,603 | 1,414,495 | 1,181,530 |
| Net assets, beginning of year | 8,477,840 | 2,937,761 | 11,415,601 | 10,234,071 |
| Net assets, end of year | <u>\$ 9,537,732</u> | <u>\$ 3,292,364</u> | <u>\$12,830,096</u> | <u>\$ 11,415,601</u> |

* Chapter and Area information is presented for supplementary purposes.

Special Olympics Virginia, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021, with Comparative Totals for 2020

| | Program | | | Total | |
|---|---------------------|-------------------|-------------------|----------------------------|---------------------|
| | Services | Fundraising | Administrative | 2021 | 2020 |
| Salaries | \$ 1,663,912 | \$ 315,156 | \$ 151,372 | \$ 2,130,440 | \$ 2,176,986 |
| Contributed services and materials | 508,088 | - | - | 508,088 | 1,401,854 |
| Employee benefits | 284,074 | 53,805 | 25,843 | 363,722 | 342,710 |
| Occupancy | 247,490 | 40,970 | 19,929 | 308,389 | 303,177 |
| Professional fees | 208,455 | 20,312 | 37,038 | 265,805 | 114,795 |
| Office supplies and program materials | 166,248 | 1,586 | 3,200 | 171,034 | 168,268 |
| Payroll taxes | 123,902 | 23,468 | 11,271 | 158,641 | 155,485 |
| Accommodations and travel | 151,003 | 3,801 | 2,454 | 157,258 | 146,685 |
| Miscellaneous | 15 | 31,165 | 72,925 | 104,105 | 112,597 |
| Equipment rental, maintenance and purchases | 69,891 | 21,082 | 9,725 | 100,698 | 78,934 |
| Insurance | 66,006 | 2,183 | 8,386 | 76,575 | 69,638 |
| Special Olympics, Inc. accreditation fee | 69,255 | - | - | 69,255 | 67,911 |
| Facilities rental | 49,877 | - | 149 | 50,026 | 51,723 |
| Telephone | 37,932 | 6,769 | 3,250 | 47,951 | 50,498 |
| Printing, advertising, dues and licenses | 24,275 | 13,361 | 8,136 | 45,772 | 30,746 |
| Bad debt expense | 15,000 | - | - | 15,000 | - |
| Postage and shipping | 9,070 | 1,004 | 494 | 10,568 | 8,643 |
| Telemarketing campaigns, business | 3,797 | 4,142 | - | 7,939 | 664 |
| Total expenses before depreciation | 3,698,290 | 538,804 | 354,172 | 4,591,266 | 5,281,314 |
| Depreciation | 62,023 | 11,702 | 5,621 | 79,346 | 80,774 |
| | <u>\$ 3,760,313</u> | <u>\$ 550,506</u> | <u>\$ 359,793</u> | <u>\$ 4,670,612</u> | <u>\$ 5,362,088</u> |

See accompanying notes.

Special Olympics Virginia, Inc.
Statement of Cash Flows
Year Ended December 31, 2021, with Comparative Totals for 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,414,495 | \$ 1,181,530 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 79,346 | 80,774 |
| Bad debt expense | 15,000 | - |
| Realized (gain) loss on sale of investments | (362,778) | 722 |
| Unrealized gain on investments | (77,739) | (308,737) |
| Contributed property and equipment | (2,846) | (7,277) |
| Contributions restricted for investment in endowment | (42,400) | - |
| Change in assets and liabilities: | | |
| Contributions receivable, net | (24,132) | (159,593) |
| ERC grant receivable | (188,950) | - |
| Pledges receivable | (89,999) | 57,720 |
| Prepaid expenses | (10,059) | 13,932 |
| Accounts payable | 49,743 | (141,848) |
| Accrued expenses | 839 | 412 |
| Refundable advance - conditional PPP grant | 471,352 | - |
| Net cash provided by operating activities | <u>1,231,872</u> | <u>717,635</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (2,425,101) | (3,770,185) |
| Proceeds from sale of investments | 2,323,130 | 3,711,676 |
| Change in certificates of deposit, net | (743) | 16,596 |
| Purchase of property and equipment | (21,749) | (40,919) |
| Net cash used by investing activities | <u>(124,463)</u> | <u>(82,832)</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for investment in endowment | 42,400 | - |
| Increase in cash and cash equivalents | 1,149,809 | 634,803 |
| Cash and cash equivalents, beginning of year | <u>4,605,730</u> | <u>3,970,927</u> |
| Cash and cash equivalents, end of year | <u>\$ 5,755,539</u> | <u>\$ 4,605,730</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 \$41,000 in 2021 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 2021 was \$485,099. The value of contributed materials in 2021 provided to the Organization was \$22,989.

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 \$349,816 for 2021.

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, 2021, the uninsured balances are approximately \$5,436,357. The Organization believes it is not exposed to any significant credit risk on its cash balances.

Recently issued accounting standards

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For statement of activity purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Organization on January 1, 2022, and the Organization is currently evaluating the effect this accounting standard may have on its financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this new standard, nonprofit organizations that receive contributed nonfinancial assets, also known as gifts-in-kind, will be required to provide new presentation on the statement of activities and additional disclosures. Contributed nonfinancial assets will be presented as a separate line item from contributed cash and other financial assets on the statement of activities. Nonprofits will also be required to disclose in a note to the financial statements the amounts of contributed nonfinancial assets by category based on the type of gift with a total that agrees to the amount presented on the statement of activities. Further disclosures to be included in the notes to the financial statements will include the Organization's policy for monetizing or using these assets, any donor-imposed restrictions on the assets, valuation inputs and techniques used to recognize the assets' initial fair values, and the principal market or most advantageous market used in the fair value measurement of the assets. The new standard will be effective for the Organization on January 1, 2022, and the Organization is currently evaluating the effect this accounting standard may have on its financial statements.

Advertising costs

The Organization expenses advertising costs as they are incurred. Advertising expense was \$3,176 for 2021.

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, 2022, 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, 2021:

| | |
|---|---------------------|
| Financial assets at year-end: | |
| Cash and cash equivalents | \$ 5,755,539 |
| Certificates of deposit | <u>68,009</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 5,823,548</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, 2021 as follows:

| | |
|------|-------------------|
| 2022 | \$ 182,499 |
| 2023 | 30,000 |
| 2024 | <u>5,000</u> |
| | <u>\$ 217,499</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, 2021 are as follows:

| | <u>Cost</u> | <u>Fair Value</u> |
|--------------------|---------------------|---------------------|
| Money market funds | \$ 342,593 | \$ 342,593 |
| Corporate bonds | 478,535 | 486,698 |
| Other fixed income | 170,316 | 169,618 |
| Common stock | 623,376 | 1,026,140 |
| Mutual funds | <u>4,283,489</u> | <u>4,282,690</u> |
| | <u>\$ 5,898,309</u> | <u>\$ 6,307,739</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, 2021.

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.

Special Olympics Virginia, Inc.
Notes to Financial Statements

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, 2021:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------|------------------|----------------|----------------|------------------|
| Mutual funds, equities: | | | | |
| Large cap growth | \$ 390,497 | \$ - | \$ - | \$ 390,497 |
| Large cap value | 451,320 | - | - | 451,320 |
| Large cap core | 597,142 | - | - | 597,142 |
| Mid cap core | 122,606 | - | - | 122,606 |
| Small/mid cap core | 182,744 | - | - | 182,744 |
| Small cap growth | 149,977 | - | - | 149,977 |
| Small cap value | 123,936 | - | - | 123,936 |
| REITs/real estate funds | 184,584 | - | - | 184,584 |
| International | <u>716,882</u> | <u>-</u> | <u>-</u> | <u>716,882</u> |
| | <u>2,919,688</u> | <u>-</u> | <u>-</u> | <u>2,919,688</u> |
| Mutual funds, fixed income: | | | | |
| High yield | 288,057 | - | - | 288,057 |
| Intermediate | 655,109 | - | - | 655,109 |
| Short-term | 133,675 | - | - | 133,675 |
| Mortgages | <u>286,161</u> | <u>-</u> | <u>-</u> | <u>286,161</u> |
| | <u>1,363,002</u> | <u>-</u> | <u>-</u> | <u>1,363,002</u> |
| Corporate bonds | <u>486,698</u> | <u>-</u> | <u>-</u> | <u>486,698</u> |
| Other fixed income | <u>169,618</u> | <u>-</u> | <u>-</u> | <u>169,618</u> |
| Common stock: | | | | |
| Consumer discretionary | 101,850 | - | - | 101,850 |
| Consumer staples | 75,208 | - | - | 75,208 |
| Energy | 80,091 | - | - | 80,091 |
| Financials | 240,752 | - | - | 240,752 |
| Health care | 81,593 | - | - | 81,593 |
| Industrials | 159,673 | - | - | 159,673 |
| Information technology | 74,971 | - | - | 74,971 |
| Materials | 14,947 | - | - | 14,947 |
| Real estate investment trusts | 112,741 | - | - | 112,741 |
| Other | 47,536 | - | - | 47,536 |
| Utilities | <u>36,778</u> | <u>-</u> | <u>-</u> | <u>36,778</u> |
| | <u>1,026,140</u> | <u>-</u> | <u>-</u> | <u>1,026,140</u> |

Special Olympics Virginia, Inc.
Notes to Financial Statements

| | | | | |
|---------------------------------|---------------------|-------------|-------------------|---------------------|
| Money market funds | <u>342,593</u> | <u>-</u> | <u>-</u> | <u>342,593</u> |
| Total investments at fair value | <u>\$ 6,307,739</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,307,739</u> |
| Pledges receivable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 217,499</u> | <u>\$ 217,499</u> |

7. Property and Equipment

Property and equipment consist of the following at December 31, 2021:

| | |
|-------------------------------|-------------------|
| Equipment | \$ 223,424 |
| Furniture | 216,320 |
| Vehicles | 124,829 |
| Computer software and website | 227,326 |
| Leasehold improvements | <u>305,275</u> |
| | 1,097,174 |
| Accumulated depreciation | <u>(884,171)</u> |
| Property and equipment, net | <u>\$ 213,003</u> |

8. 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 2021.

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 2021:

| | <u>Polar Plunge</u> | <u>Other</u> | <u>Total</u> |
|----------|-------------------------|-------------------|---------------------|
| Revenues | \$ 883,029 | \$ 416,560 | \$ 1,299,589 |
| Expenses | <u>(101,605)</u> | <u>(79,684)</u> | <u>(181,289)</u> |
| | <u>\$ 781,424</u> | <u>\$ 336,876</u> | <u>\$ 1,118,300</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. The discretionary contribution was reinstated in December 2021. Employees are fully vested in the employer's profit-sharing contributions after 3 years of service. Total expense for the 401(k) plan for 2021 was \$172,891.

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 2021.

13. Allocation of Joint Costs

During 2021, 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 \$7,939 in joint costs, which are not specifically attributable to particular components of the activities. These costs were allocated as follows:

| | |
|-------------|-----------------|
| Fundraising | \$ 4,142 |
| Program | <u>3,797</u> |
| | <u>\$ 7,939</u> |

14. Related Party Transactions

The Organization has contributions receivable and pledges receivable in the amount of \$427,751 and \$2,999, respectively, due from Special Olympics, Inc. (SOI) as of December 31, 2021. During the year ended December 31, 2021, the Organization received approximately \$565,000 from SOI in direct marketing campaigns. Of this amount, approximately \$138,000 was receivable from SOI and is included in contributions receivable on the accompanying statement of financial position.

The affiliated support for 2021 in the amount of \$11,231 represents the Organization's allocable share of contributions raised by SOI.

For 2021, the Organization was assessed fees by SOI. The total fees included in expenses were \$69,255.

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 2021 was \$340,503.

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.

| | |
|------------|---------------------|
| 2022 | \$ 256,811 |
| 2023 | 243,079 |
| 2024 | 230,634 |
| 2025 | 233,446 |
| 2026 | 229,380 |
| Thereafter | <u>1,201,574</u> |
| | <u>\$ 2,394,924</u> |

Subsequent to year end, the Organization entered into an agreement for a customer relationship management (CRM) system, which requires monthly payments of approximately \$5,100 through April 2025.

16. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2021:

| | <u>Temporary Restriction</u> | <u>Perpetual Restriction</u> | <u>Total with Donor Restriction</u> |
|---|----------------------------------|----------------------------------|---|
| Tennis invitational tournament | \$ 226,251 | \$ 360,000 | \$ 586,251 |
| Scholarships | 200,948 | 250,000 | 450,948 |
| Unified Champion Schools | 286,792 | - | 286,792 |
| Healthy Athletes | 71,883 | 66,000 | 137,883 |
| Volleyball | 270 | - | 270 |
| Dream Ride | 4,322 | - | 4,322 |
| Sailing, swimming, cycling & skiing (Area 26) | 41,862 | 42,400 | 84,262 |
| Miscellaneous grants | 55,487 | - | 55,487 |
| Time restricted pledges | <u>35,000</u> | <u>-</u> | <u>35,000</u> |
| | <u>\$ 922,815</u> | <u>\$ 718,400</u> | <u>\$ 1,641,215</u> |

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 | \$ 164,941 |
| State Championships | 11,499 |
| Global messengers | 10,000 |
| Dream ride | 2,178 |
| Tennis invitational tournament | 19,742 |
| Sailing, swimming, cycling & skiing (Area 26) | 138 |
| Scholarships | 11,577 |
| Receipt of time restricted pledges | 5,000 |
| Miscellaneous grants | 47,877 |
| Unified Champion Schools | <u>368,167</u> |
| Total restrictions released | <u>\$ 641,119</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.

Special Olympics Virginia, Inc.
Notes to Financial Statements

At December 31, 2021, the endowment net asset composition by type of fund was as follows:

| | Without Donor Restriction | With Donor Restriction | | |
|-----------------------------|--|----------------------------------|----------------------------------|---------------------|
| | | Temporary Restriction | Perpetual Restriction | Total |
| Donor-restricted endowments | \$ - | \$ 333,603 | \$ 718,400 | \$ 1,052,003 |
| Board-designated endowments | <u>718,770</u> | <u>-</u> | <u>-</u> | <u>718,770</u> |
| | <u>\$ 718,770</u> | <u>\$ 333,603</u> | <u>\$ 718,400</u> | <u>\$ 1,770,773</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.

A summary of the activity in endowment funds for the year ended December 31, 2021 is as follows:

| | Without Donor Restriction | With Donor Restriction | | |
|---|--|----------------------------------|----------------------------------|---------------------|
| | | Temporary Restriction | Perpetual Restriction | Total |
| Endowment net assets, beginning of year | \$ 653,804 | \$ 245,768 | \$ 676,000 | \$ 1,575,572 |
| Contributions | - | - | 42,400 | 42,400 |
| Investment return: | | | | |
| Investment income | 16,546 | 22,370 | - | 38,916 |
| Net realized and unrealized gain | 78,440 | 106,052 | - | 184,492 |
| Appropriations for expenditure | <u>(30,020)</u> | <u>(40,587)</u> | <u>-</u> | <u>(70,607)</u> |
| Endowment net assets, end of year | <u>\$ 718,770</u> | <u>\$ 333,603</u> | <u>\$ 718,400</u> | <u>\$ 1,770,773</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, 2021, 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 \$471,352 under the PPP in 2021. The Organization believes that it was eligible under the PPP to receive the funds and expects to meet the requirements under the program to have the loan forgiven. 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 as a current liability. Grant income under this method of accounting may only be recognized when the conditions attached to the grant have been substantially met. The Organization believes it 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; however, a forgiveness calculation has not yet been submitted to the Organization's lender. Therefore, grant income has not been recognized and is presented on the statement of financial position as a refundable advance as of December 31, 2021. To the extent not forgiven, the refundable advance along with accrued interest at 1% from the date the loan was originated will be repaid in accordance with the terms of the loan agreement.

During 2020, the Organization received \$471,353 under the PPP. The Organization believed 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. 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 2020 and the Organization's covered period was closed as of the statement of December 31, 2020. 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, 2020 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 during the year ended December 31, 2020.

19. 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. Subsequent to year-end, the Organization performed the ERC calculation relating to 2021 and expects to file amended returns in 2022.

20. 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 2020 from which the summarized information was derived.

21. Risk and Uncertainty

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's account balances and amounts reported in the statements of financial position.

The COVID-19 pandemic has impacted the operational activities of the Organization's business; however, the Organization's financial performance remained stable throughout 2021. 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 the Organization's 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.