

# **Special Olympics, Inc. and Affiliates**

Combined Financial Reports and  
Supplemental Schedules  
December 31, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Special Olympics, Inc.

### Report on the Financial Statements

We have audited the accompanying combined financial statements of Special Olympics, Inc. and its affiliates (SOI), which comprise the combined statements of financial position as of December 31, 2020 and 2019, the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics, Inc. and its affiliates as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

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

*RSM US LLP*

Washington, D.C.  
June 9, 2021

## Special Olympics, Inc. and Affiliates

### Combined Statements of Financial Position December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 33,282,648	\$ 18,600,121
Contributions receivable	7,686,126	7,344,984
Program and other receivables, net	8,444,504	7,541,720
Prepaid expenses	2,508,458	2,386,781
Other assets	657,103	527,729
<b>Total current assets</b>	<b>52,578,839</b>	<b>36,401,335</b>
Noncurrent assets:		
Investments restricted in perpetuity	3,641,805	3,498,584
Other investments	2,373,804	2,239,715
Economic beneficial interest in Trust	56,561,400	52,469,315
Long-term contributions receivable, net	9,618,109	9,649,025
Property and equipment, net	5,702,132	5,284,550
Other assets	927,689	863,670
<b>Total noncurrent assets</b>	<b>78,824,939</b>	<b>74,004,859</b>
<b>Total assets</b>	<b>\$ 131,403,778</b>	<b>\$ 110,406,194</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,314,301	\$ 8,878,488
Grants and awards payable to affiliates	5,020,726	4,242,824
Deferred revenue and refundable advances	8,087,482	2,339,086
Deferred rent	23,224	270,283
<b>Total liabilities</b>	<b>20,445,733</b>	<b>15,730,681</b>
Net assets:		
Without donor restrictions:		
Undesignated	12,072,664	2,602,785
Designated	59,075,976	55,068,121
<b>Total net assets without donor restrictions</b>	<b>71,148,640</b>	<b>57,670,906</b>
With donor restrictions	39,809,405	37,004,607
<b>Total net assets</b>	<b>110,958,045</b>	<b>94,675,513</b>
<b>Total liabilities and net assets</b>	<b>\$ 131,403,778</b>	<b>\$ 110,406,194</b>

See notes to combined financial statements.

**Special Olympics, Inc. and Affiliates**

**Combined Statement of Activities  
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Direct mail contributions	\$ 49,248,634	\$ -	\$ 49,248,634
Individual and corporate contributions and sponsorships	15,145,806	24,292,226	39,438,032
Federal grants	24,516,115	-	24,516,115
Nonfederal grants	129,117	-	129,117
Accreditation fees	3,184,544	-	3,184,544
Royalty income	735,598	-	735,598
Appreciation in Trust assets, net (Note 7)	6,513,046	-	6,513,046
Other investment income, net (Note 7)	166,058	143,221	309,279
Other income	3,998,925	-	3,998,925
<b>Total revenues, gains and other support</b>	<b>103,637,843</b>	<b>24,435,447</b>	<b>128,073,290</b>
Net assets released from restrictions (Note 9):			
Satisfaction of program restrictions	8,186,342	(8,186,342)	-
Expiration of time restrictions	13,444,307	(13,444,307)	-
<b>Total revenues, gains and other support and net assets released from restrictions</b>	<b>125,268,492</b>	<b>2,804,798</b>	<b>128,073,290</b>
Expenses:			
Program assistance	57,690,110	-	57,690,110
Public education and communications	31,820,079	-	31,820,079
Sports training and competitions	3,957,638	-	3,957,638
Fundraising	13,598,231	-	13,598,231
Management and general	4,724,700	-	4,724,700
<b>Total expenses</b>	<b>111,790,758</b>	<b>-</b>	<b>111,790,758</b>
<b>Changes in net assets</b>	<b>13,477,734</b>	<b>2,804,798</b>	<b>16,282,532</b>
Net assets:			
Beginning	57,670,906	37,004,607	94,675,513
Ending	<u>\$ 71,148,640</u>	<u>\$ 39,809,405</u>	<u>\$ 110,958,045</u>

See notes to combined financial statements.

**Special Olympics, Inc. and Affiliates**

**Combined Statement of Activities  
Year Ended December 31, 2019**

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

See notes to combined financial statements.

**Special Olympics, Inc. and Affiliates**

**Combined Statement of Functional Expenses**

**Year Ended December 31, 2020**

	<b>Program Assistance</b>	<b>Public Education and Communications</b>	<b>Sports Training and Competitions</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 13,346,923	\$ 2,874,709	\$ 1,862,746	\$ 2,404,979	\$ 1,889,522	\$ 22,378,879
Benefits	1,554,355	549,996	284,084	411,358	357,198	3,156,991
<b>Total salaries and benefits</b>	<b>14,901,278</b>	<b>3,424,705</b>	<b>2,146,830</b>	<b>2,816,337</b>	<b>2,246,720</b>	<b>25,535,870</b>
Consulting and other	4,727,972	6,141,625	379,344	2,983,933	420,379	14,653,253
Postage and shipping	75,724	4,937,250	2,305	3,637,570	2,865	8,655,714
Printing	60,595	3,736,096	1,696	2,754,153	809	6,553,349
Supplies	5,889,010	561,040	35,846	7,776	3,356	6,497,028
Data processing	1,446,343	859,541	87,043	620,825	345,270	3,359,022
Travel, meetings and conferences	1,754,066	180,091	213,570	75,461	44,629	2,267,817
Miscellaneous	461,118	149,451	10,034	301,412	1,329,206	2,251,221
Rent (Note 15)	1,111,656	352,366	114,188	122,770	180,703	1,881,683
Depreciation and amortization	971,702	18,444	5,247	6,426	118,855	1,120,674
Communication	318,731	29,801	12,938	211,081	931	573,482
Professional development	125,917	141,306	12,215	58,399	27,857	365,694
Equipment rent and repair	42,422	5,993	1,705	2,088	3,120	55,328
	<b>16,985,256</b>	<b>17,113,004</b>	<b>876,131</b>	<b>10,781,894</b>	<b>2,477,980</b>	<b>48,234,265</b>
Awards and grants	25,803,576	11,282,370	934,677	-	-	38,020,623
	<b>\$ 57,690,110</b>	<b>\$ 31,820,079</b>	<b>\$ 3,957,638</b>	<b>\$ 13,598,231</b>	<b>\$ 4,724,700</b>	<b>\$ 111,790,758</b>

See notes to combined financial statements.



## Special Olympics, Inc. and Affiliates

### Combined Statement of Functional Expenses Year Ended December 31, 2019

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

See notes to combined financial statements.

**Special Olympics, Inc. and Affiliates**

**Combined Statements of Cash Flows  
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 16,282,532	\$ 9,372,338
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	1,120,674	859,766
Bad debt expense	692,722	-
Discount on long term contributions receivable	217,225	-
Net unrealized and realized gain on investments and economic beneficial interest in Trust	(7,103,435)	(6,890,676)
Contributions received for long-term purposes	-	(2,000,000)
Deferred rent	(247,059)	(171,288)
Changes in assets and liabilities:		
(Increase) decrease:		
Contributions receivable	(527,451)	3,182,712
Program and other receivables	(1,595,506)	(4,624)
Prepaid expenses	(121,677)	(593,400)
Other assets	(75,868)	222,169
Increase (decrease):		
Accounts payable and accrued liabilities	(1,564,187)	(2,350,002)
Grants and awards payable to affiliates	777,902	276,571
Deferred revenue and refundable advances	5,748,396	(579,043)
<b>Net cash provided by operating activities</b>	<b>13,604,268</b>	<b>1,324,523</b>
Cash flows from investing activities:		
Purchases of property and equipment	(1,538,256)	(1,706,142)
Purchases of investments and economic beneficial interest in Trust	(3,585,310)	(2,172,457)
Proceeds from sale of investments and economic beneficial interest in Trust	6,201,825	2,668,961
<b>Net cash provided by (used in) investing activities</b>	<b>1,078,259</b>	<b>(1,209,638)</b>
Cash flows from financing activities:		
Contributions received for long-term purposes	-	2,000,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>2,000,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,682,527</b>	<b>2,114,885</b>
Cash and cash equivalents:		
Beginning	18,600,121	16,485,236
Ending	<b>\$ 33,282,648</b>	<b>\$ 18,600,121</b>

See notes to combined financial statements.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 1. Nature of Activities

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

On December 25, 1997, the Christmas Records Trust (the Trust) was established as a grantor trust to support the charitable mission of SOI and the Special Olympics movement through the royalty income and accumulated principal earned from the A Very Special Christmas albums. The Trust has four trustees, one of whom is an SOI board member. As of December 31, 2020 and 2019, the Trust's assets had a fair market value of \$59,075,976 and \$55,068,121, respectively (see Note 7).

#### Note 2. Summary of Significant Accounting Policies

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

**Basis of presentation:** The accompanying combined financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, SOI is required to report information regarding its financial position and activities within two classes of net assets:

**Net assets without donor restrictions:** Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of SOI. Certain amounts have been designated by SOI for specific purposes. All contributions are considered to be available for unrestricted undesignated use, unless specifically designated by the Board of Directors or given with donor restrictions or internally designated by management. Unrestricted designated contributions represent contributions without donor restrictions that have been designated for a specified purpose by the Board of Directors (see Note 9).

**Net assets with donor restrictions:** Net assets with donor restrictions are contributions with donor-imposed time and/or program restrictions or permanent restrictions. The time and purpose restrictions require that resources be used for specific purposes and/or in a later period or after a specified date.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

**Concentration of risk:** Cash and cash equivalents that potentially subject SOI to concentrations of credit risk consist principally of bank accounts and short-term investments. Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Investment accounts are insured by the Securities Investor Protection Corporation (SIPC). Investment balances are insured up to \$500,000, with a limit of \$250,000 for cash. At December 31, 2020 and 2019, SOI had cash and cash equivalents of \$27,321,528 and \$12,573,835, respectively, in excess of FDIC and SIPC insured limits. Additionally, SOI has cash and cash equivalents in the amounts of \$4,730,818 and \$4,908,284, respectively, in foreign bank accounts, some of which may be subject to withdrawal restrictions.

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

**Receivables:** Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for an allowance for doubtful accounts as of December 31, 2020 and 2019, was \$182,779 and \$154,319, respectively.

**Contributions receivable:** Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management has determined that contributions receivable are fully collectible, and there was no allowance for doubtful contributions receivable at December 31, 2020 or 2019.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

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

SOI reports contributions of goods and services (value in kind) as contribution revenue and program expense (program assistance, public education and communications, and sports training and competitions) upon receipt. GAAP allow recognition of contributed services only if: (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. SOI reports contributions of goods and services as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying combined statements of activities as net assets released from restrictions. Contributed goods and services received were \$6,528,736 and \$10,329,530 for the years ended December 31, 2020 and 2019, respectively.

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

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

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

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

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. SOI adopted this ASU during the year ended December 31, 2020. The adoption of ASU 2018-13 did not have a material impact on the combined financial statements.

**Recent accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. SOI is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 2. Summary of Significant Accounting Policies (Continued)

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. SOI is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

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

**Tax status:** SOI has received a favorable determination letter designating it as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Trust is a grantor trust that is a not-for-profit organization and is qualified under the exemption of SOI as the Trust's sponsor organization. SOEC has received a favorable determination letter designating it as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a Type 1 supporting organization under Sections 509(a)(3). The Foundation is exempt from income taxes under the laws of the country of Ireland. SOAP Ltd. is subject to income tax under the laws of the country of Singapore, but did not incur any tax in 2020 and 2019, due to carried-forward losses from operations.

GAAP requires management to evaluate tax positions taken by SOI and recognize a tax liability (or asset) if SOI has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by SOI and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements.

**Reclassification:** Certain items in the 2019 information have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

**Subsequent events:** SOI has evaluated all events or transactions that occurred after December 31, 2020, through June 9, 2021, the date the combined financial statements were available to be issued.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 3. Availability and Liquidity of Financial Assets

The following represents SOI's financial assets at December 31, 2020 and 2019:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 33,282,648	\$ 18,600,121
Contributions receivable, net	17,304,235	16,994,009
Program and other receivables, net	8,444,504	7,541,720
Investments restricted in perpetuity	3,641,805	3,498,584
Other investments	2,373,804	2,239,715
Economic beneficial interest in Trust	56,561,400	52,469,315
Total financial assets	<u>121,608,396</u>	<u>101,343,464</u>
Less amounts not available to be used within one year:		
Board designated net assets	(59,075,976)	(55,068,121)
Net assets with donor restrictions	<u>(39,809,405)</u>	<u>(37,004,607)</u>
Financial assets not available to be used within one year	<u>(98,885,381)</u>	<u>(92,072,728)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 22,723,015</u>	<u>\$ 9,270,736</u>

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

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



## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 4. Contributions Receivable

Contributions receivable at December 31, 2020 and 2019, consist of unconditional promises to give as follows:

	2020	2019
Due in less than one year	\$ 7,686,126	\$ 7,344,984
One to five years	9,828,187	10,076,328
Less discount to present value	(210,078)	(427,303)
Receivable noncurrent, net	9,618,109	9,649,025
Total contributions receivable, net	<u>\$ 17,304,235</u>	<u>\$ 16,994,009</u>

In addition, SOI has conditional promises to give of approximately \$119.1 million, \$34.4 million of which was added in 2020. Future payments are contingent upon SOI meeting certain milestones documented in the pledge agreements. During the years ended December 31, 2020 and 2019, SOI met certain conditions and recognized approximately \$28.5 million and \$25.4 million, respectively. At December 31, 2020 and 2019, approximately \$51.7 million and \$48.4 million in conditional promises to give had not been recorded in the combined financial statements, respectively. At December 31, 2020 and 2019, three donors accounted for 81% and 83% of the outstanding conditional promises to give, respectively.

#### Note 5. Affiliated Organizations and Related-Party Transactions

**Accredited programs and games organizing committees:** SOI biennially accredits organizations as Programs at state and national levels for the purpose of conducting Special Olympics activities in their respective territorial jurisdictions. SOI accredits a Program if it meets specific organizational, programmatic and legal requirements. Accredited Programs are authorized to use the Special Olympics name and logo, raise funds in the name of Special Olympics, receive grant support and participate in conferences and international sporting events sanctioned by SOI. Currently, there are accredited Programs in 50 U.S. states, the District of Columbia, Puerto Rico, and in approximately 159 countries outside the United States. SOI contracts with local games organizing committees to conduct various international and regional Special Olympics games.

During 2020 and 2019, SOI made awards and grants of \$37,224,024 and \$43,486,108, respectively, to accredited Programs, which are allocated to functional expenses in the accompanying combined statements of activities.

**Program and Other Receivables:** Amounts due from related parties and accredited Programs have been included in Program and other receivables at December 31, 2020 and 2019, as follows:

	2020	2019
Accounts receivable from SOI regional operations	\$ 61,921	\$ 72,079
Program accreditation fees	313,489	211,303
Grants receivable	1,040,181	1,237,742
Corporate and other receivables	7,211,692	6,174,915
	8,627,283	7,696,039
Allowance for doubtful accounts	(182,779)	(154,319)
Program and other receivables, net	<u>\$ 8,444,504</u>	<u>\$ 7,541,720</u>

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 6. Property and Equipment

Property and equipment at December 31, 2020 and 2019, consist of the following:

	2020	2019
Furnishings	\$ 825,683	\$ 825,683
Equipment and software	9,847,128	9,612,596
Leasehold improvements	376,268	376,268
Software development in progress	2,769,230	1,465,507
Total property and equipment	13,818,309	12,280,054
Less accumulated depreciation	(8,116,177)	(6,995,504)
Total property and equipment, net	<u>\$ 5,702,132</u>	<u>\$ 5,284,550</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was \$1,120,674 and \$859,766, respectively.

#### Note 7. Investments and Fair Value Measurements

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

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

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

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

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

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

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

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

#### Note 7. Investments and Fair Value Measurements (Continued)

The following table presents SOI's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of December 31, 2020.

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income:				
Other	\$ 1,495,093	\$ 1,495,093	\$ -	\$ -
Cash and cash equivalents	1,736,349	1,736,349	-	-
Equity:				
Large cap	936,880	936,880	-	-
International	263,099	263,099	-	-
Mid cap	453,970	453,970	-	-
Small cap	368,145	368,145	-	-
Large blend	323,296	323,296	-	-
Growth	141,245	141,245	-	-
Emerging markets	190,861	190,861	-	-
Real estate	106,671	106,671	-	-
	2,784,167	2,784,167	-	-
Beneficial interest measured at NAV or equivalent (a)	56,561,400	-	-	-
	\$ 62,577,009	\$ 6,015,609	\$ -	\$ -

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

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

#### Note 7. Investments and Fair Value Measurements (Continued)

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

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

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

The Trust has one alternative investment at December 31, 2020 and 2019, which calculates the fair value using the NAV per share or its equivalent. The fair value at December 31, 2020 and 2019, was \$56,561,400 and \$52,469,315, respectively. This investment can be redeemed at the end of each calendar year. Redemption of all or a portion of the investment requires a notice submitted by September 1st that precedes the applicable redemption date. As of December 31, 2020 and 2019, the Trust had submitted notice for a redemption of approximately \$2,045,351 and \$1,967,717, respectively. The investment seeks to invest with a long term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 7. Investments and Fair Value Measurements (Continued)

Fair value assets at December 31, 2020 and 2019, consist of the following:

	2020	2019
Investments restricted in perpetuity	\$ 3,641,805	\$ 3,498,584
Other investments	2,373,804	2,239,715
Total investments	<u>6,015,609</u>	<u>5,738,299</u>
Economic beneficial interest in Trust	56,561,400	52,469,315
Total fair value assets	<u>\$ 62,577,009</u>	<u>\$ 58,207,614</u>

Investment income for the years ended December 31, 2020 and 2019, consists of the following:

	2020	2019
Interest and dividends	\$ 123,413	\$ 253,159
Net unrealized and realized gains on investments	590,389	399,867
Investment management fees	(404,523)	(406,491)
Total investment gain	<u>\$ 309,279</u>	<u>\$ 246,535</u>

Net appreciation in Trust assets for the years ended December 31, 2020 and 2019, consists of the following:

	2020	2019
Net unrealized and realized gains on beneficial interest in Trust	\$ 6,513,046	\$ 6,490,809
Total net appreciation in Trust assets	<u>\$ 6,513,046</u>	<u>\$ 6,490,809</u>

#### Note 8. Designated Net Assets Without Donor Restrictions

Designated net assets without donor restrictions at December 31, 2020 and 2019, consist of the following:

	2020	2019
Christmas Records Trust	\$ 59,075,976	\$ 55,068,121
Total designated net assets without donor restrictions	<u>\$ 59,075,976</u>	<u>\$ 55,068,121</u>

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

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 9. Net Assets With Donor Restrictions

Net assets with donor restriction are available at December 31, 2020 and 2019, for the following purposes or periods:

	2020	2019
Program restrictions:		
Program assistance	\$ 10,009,058	\$ 6,658,953
Sports training and competitions	7,030,916	7,618,872
Public education and communications	1,026,374	1,547,995
Total program restrictions	18,066,348	15,825,820
Time restricted for periods after December 31	18,090,545	17,669,496
Donor-restricted endowment funds	3,652,512	3,509,291
Total net assets with donor restrictions	<u>\$ 39,809,405</u>	<u>\$ 37,004,607</u>

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

	2020	2019
Satisfaction of program restrictions:		
Program assistance	\$ 5,531,768	\$ 9,736,387
Sports training and competitions	2,132,953	2,845,157
Public education and communications	521,621	352,005
Total satisfaction of program restrictions	8,186,342	12,933,549
Expiration of time restrictions	13,444,307	14,044,811
Total net assets released from restrictions	<u>\$ 21,630,649</u>	<u>\$ 26,978,360</u>

**Endowment:** Net assets with donor restrictions, in perpetuity, of \$3,641,805 and \$3,498,584 at December 31, 2020 and 2019, respectively, consists of the Special Olympics, Inc. internal Endowment Fund and the Global Unified Champion Schools Fund (established June 25, 2019). The internal Endowment Fund was established to generate income to finance special projects or unusual expenditures that will enhance the mission of SOI. The investment income earned is without donor restrictions. The Global Unified Champion Schools Fund was established as part of a multi-year commitment with 30% of that commitment going toward the endowment fund. The first \$2,000,000 was contributed to the endowment in 2019. The investment income earned must be used in support of the Special Olympics Global Centre for Inclusion in Education (to be created by the donation and located in Abu Dhabi, UAE) and Unified Champion Schools around the world per donor-imposed restrictions.

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

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

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 9. Net Assets With Donor Restrictions (Continued)

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

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

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

Endowment net assets with donor restrictions at December 31, 2020 and 2019, is as follows:

	2020	2019
Endowment net assets, beginning of year	\$ 3,509,291	\$ 1,498,584
Contributions	-	2,000,000
Investment return, net of fees	143,221	10,707
Endowment net assets, end of year	<u>\$ 3,652,512</u>	<u>\$ 3,509,291</u>

#### Note 10. Allocation of Joint Costs

SOI conducts direct mail campaigns in the United States to raise funds; to increase public knowledge and awareness of Special Olympics, its mission, and its activities; and to recruit volunteers. In 2020 and 2019, SOI conducted direct mail activities that included requests for contributions, as well as program components. The cost of conducting those activities in 2020 and 2019 was \$23,116,675 and \$24,492,740, respectively. Costs of \$9,815,062 and \$11,456,234 were charged to fundraising expenses during 2020 and 2019, respectively. Costs of \$13,301,613 and \$13,036,506 were allocated to SOI's public education program during 2020 and 2019, respectively.

#### Note 11. Supporting Services

Management and general expenses include expenses that are not directly related to specific SOI programs. During 2020 and 2019, management and general expenses were \$4,724,700 and \$4,166,319 respectively. During 2020 and 2019, fundraising expenses for marketing and development and multistate fundraising projects were \$13,598,231 and \$16,485,993, respectively, which represented 11.28% and 12.2%, respectively, of the revenue resulting from fundraising, defined as direct mail contributions, individual and corporate contributions and sponsorships, federal grants, nonfederal grants, accreditation fees and other income in the combined statements of activities. Management and general expenses represent 3.92% and 3.08% of revenues resulting from fundraising activities, respectively. Together, management and general and fundraising expenses represent approximately 15.2% and 15.29% of revenues from fundraising activities, respectively.

## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### **Note 12. Credit Facilities**

SOI has one line of credit arrangement for \$3,000,000 with a domestic bank that provides borrowings bearing interest at the prime rate, less 1%. The resulting rates were 2.25% and 3.75% at December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, Special Olympics had no borrowings against this line of credit arrangement.

#### **Note 13. Paycheck Protection Program Promissory Note**

On May 1, 2020, SOI applied for and received a loan of \$3,549,950 pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted March 27, 2020. The interest rate is 1.0% per annum, payable monthly commencing after a decision on forgiveness is received, if necessary. The loan is guaranteed by the Small Business Administration and matures on May 3, 2022. There were no application or other fees associated with this loan. Qualifying uses of proceeds include payment of compensation and benefit costs in order to retain workers and to make lease payments, and utility payments. SOI used the entire loan amount for qualifying expenses. Under the terms of the loan, some or all of the loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act. The loan may be prepaid at any time without penalty. The outstanding balance on the loan at December 31, 2020 was \$3,549,950 and is reflected as a refundable advance on the combined statements of financial position subject to determination of forgiveness using the guidance of ASC 958-605.

#### **Note 14. Employee Benefits**

SOI participates in both 403(b) and 401(k) defined contribution retirement plans which are available for the benefit of all full-time employees of SOI. In addition, employees may also take advantage of a tax-deferred annuity plan sponsored by SOI. In accordance with the 401(k) plan agreement, SOI makes contributions to the plan, which are determined based on a percentage of the participating employee's salary and the amount of an employee's elective contributions. SOI has a 403(b) defined contribution pension plan that covers substantially all U.S. employees. Pension expense under both plans was \$125,096 and \$695,881 for the years ended December 31, 2020 and 2019, respectively. The expense is lower in 2020 due to the decision to freeze matching to mitigate the impacts of COVID-19 on the financial position of SOI.

#### **Note 15. Commitments and Contingencies**

**Operating leases:** SOI entered into a sublease agreement for its Washington, D.C., headquarters commencing on November 1, 2004, that was due to expire in February 2016. On September 3, 2014, SOI exercised the option to extend the sublease agreement, commencing February 1, 2016, and expiring in January 2021. On December 14, 2018, SOI entered into a sublease for additional space at its headquarters. The term of this lease will run concurrently with the existing lease and will expire in January 2021. During February 2020, SOI extended the sublease agreement, which includes the additional expansion space. The extended lease expires December 31, 2022. The base rent is inclusive of all charges, such as operating costs, cost-of-living increases, real estate taxes, and basic janitorial services. Rent expense is recognized on a straight-line basis over the life of the lease. The difference between the rent expense and related cash payments is deferred and recognized over the lease term. As of December 31, 2020 and 2019, deferred rent was \$23,224 and \$270,283, respectively.



## Special Olympics, Inc. and Affiliates

### Notes to Combined Financial Statement

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#### Note 15. Commitments and Contingencies (continued)

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

Years ending December 31	
2021	\$ 1,110,914
2022	<u>1,521,098</u>
Total	<u>\$ 2,632,012</u>

Rent expense for the Washington, D.C., headquarters, and regional office space was \$1,881,683 and \$2,116,890 for the years ended December 31, 2020 and 2019, respectively. SOI leases office space for various employees throughout the world. The majority of these leases are month to month.

**Federal awards:** SOI participates in a number of federal grant programs which are subject to financial and compliance audits. Accordingly, SOI's compliance with applicable grant requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

**Legal:** In the normal course of business, SOI may be involved in various claims and legal actions. Management believes the outcome of such legal actions will not have a significant adverse effect on SOI's financial position, results of operations or cash flows.

**Pandemic:** The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including the geographic areas in which SOI operates. While SOI has mitigated the financial impact to its business, it is unknown how long these conditions will last. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

## **Supplemental Combining Schedules**

## Special Olympics, Inc. and Affiliates

### Combining Statement of Financial Position December 31, 2020

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 28,427,279	\$ 492,906	\$ 3,336,089	\$ 1,026,374	\$ -	\$ 33,282,648
Contributions receivable	7,686,126	-	-	-	-	7,686,126
Program and other receivables, net	13,315,234	248,766	11,091	-	(5,130,587)	8,444,504
Prepaid expenses	2,439,489	-	68,969	-	-	2,508,458
Other assets	657,103	-	-	-	-	657,103
<b>Total current assets</b>	<b>52,525,231</b>	<b>741,672</b>	<b>3,416,149</b>	<b>1,026,374</b>	<b>(5,130,587)</b>	<b>52,578,839</b>
Noncurrent assets:						
Permanently restricted investments	3,641,805	-	-	-	-	3,641,805
Other investments	2,373,804	-	-	-	-	2,373,804
Net assets of combined entities	273,733	-	-	-	(273,733)	-
Economic beneficial interest in Trust	56,561,400	-	-	-	-	56,561,400
Long-term contributions receivable, net	9,618,109	-	-	-	-	9,618,109
Property and equipment, net	5,664,582	-	37,550	-	-	5,702,132
Other assets	927,473	-	216	-	-	927,689
<b>Total noncurrent assets</b>	<b>79,060,906</b>	<b>-</b>	<b>37,766</b>	<b>-</b>	<b>(273,733)</b>	<b>78,824,939</b>
<b>Total assets</b>	<b>\$ 131,586,137</b>	<b>\$ 741,672</b>	<b>\$ 3,453,915</b>	<b>\$ 1,026,374</b>	<b>\$ (5,404,320)</b>	<b>\$ 131,403,778</b>
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 6,609,868	\$ 587,032	\$ 117,401	\$ -	\$ -	\$ 7,314,301
Due to Special Olympics, Inc.	-	117,532	2,516,979	-	(2,634,511)	-
Due to Christmas Records Trust	2,496,076	-	-	-	(2,496,076)	-
Grants and awards payable to affiliates	5,020,726	-	-	-	-	5,020,726
Deferred revenue and refundable advances	8,087,482	-	-	-	-	8,087,482
Deferred rent	23,224	-	-	-	-	23,224
<b>Total liabilities</b>	<b>22,237,376</b>	<b>704,564</b>	<b>2,634,380</b>	<b>-</b>	<b>(5,130,587)</b>	<b>20,445,733</b>
Net assets:						
Without donor restrictions:						
Undesignated	11,571,183	37,108	738,106	-	(273,733)	12,072,664
Designated	59,075,976	-	-	-	-	59,075,976
<b>Total net assets without donor restrictions</b>	<b>70,647,159</b>	<b>37,108</b>	<b>738,106</b>	<b>-</b>	<b>(273,733)</b>	<b>71,148,640</b>
With donor restrictions	38,701,602	-	81,429	1,026,374	-	39,809,405
<b>Total net assets</b>	<b>109,348,761</b>	<b>37,108</b>	<b>819,535</b>	<b>1,026,374</b>	<b>(273,733)</b>	<b>110,958,045</b>
<b>Total liabilities and net assets</b>	<b>\$ 131,586,137</b>	<b>\$ 741,672</b>	<b>\$ 3,453,915</b>	<b>\$ 1,026,374</b>	<b>\$ (5,404,320)</b>	<b>\$ 131,403,778</b>

## Special Olympics, Inc. and Affiliates

### Combining Statement of Financial Position December 31, 2019

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

## Special Olympics, Inc. and Affiliates

### Combining Statement of Activities Year Ended December 31, 2020

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
<b>Revenues, gains and other support:</b>						
Direct mail contributions	\$ 49,248,634	\$ -	\$ -	\$ -	\$ -	\$ 49,248,634
Individual and corporate contributions and sponsorships	37,004,473	555,874	1,877,685	-	-	39,438,032
Federal grants	24,516,115	-	-	-	-	24,516,115
Nonfederal grants	-	129,117	-	-	-	129,117
Accreditation fees	3,184,544	-	-	-	-	3,184,544
Royalty income	735,598	-	-	-	-	735,598
Appreciation in Trust assets, net	6,513,046	-	-	-	-	6,513,046
Other investment income, net	2,958,394	-	8,922	-	(2,658,037)	309,279
Other income	3,906,661	-	128,628	-	(36,364)	3,998,925
<b>Total revenues, gains and other support</b>	<b>128,067,465</b>	<b>684,991</b>	<b>2,015,235</b>	<b>-</b>	<b>(2,694,401)</b>	<b>128,073,290</b>
<b>Expenses:</b>						
Program assistance	58,657,943	664,152	1,062,416	-	(2,694,401)	57,690,110
Public education and communications	31,298,458	-	-	521,621	-	31,820,079
Sports training and competitions	3,957,638	-	-	-	-	3,957,638
Fundraising	13,308,769	-	289,462	-	-	13,598,231
Management and general	4,724,700	-	-	-	-	4,724,700
<b>Total expenses</b>	<b>111,947,508</b>	<b>664,152</b>	<b>1,351,878</b>	<b>521,621</b>	<b>(2,694,401)</b>	<b>111,790,758</b>
<b>Changes in net assets</b>	<b>16,119,957</b>	<b>20,839</b>	<b>663,357</b>	<b>(521,621)</b>	<b>-</b>	<b>16,282,532</b>
<b>Net assets:</b>						
Beginning	93,228,804	16,269	156,178	1,547,995	(273,733)	94,675,513
Ending	<u>\$ 109,348,761</u>	<u>\$ 37,108</u>	<u>\$ 819,535</u>	<u>\$ 1,026,374</u>	<u>\$ (273,733)</u>	<u>\$ 110,958,045</u>

## Special Olympics, Inc. and Affiliates

### Combining Statement of Activities Year Ended December 31, 2019

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