

**SPECIAL OLYMPICS RHODE ISLAND, INC.**

Financial Statements

For the Years Ended  
December 31, 2021 and 2020

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# DAVID J. SHEPHERD, CPA, LLC.

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Special Olympics Rhode Island, Inc.:

#### **Opinion**

We have audited the accompanying financial statements of Special Olympics Rhode Island, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, respectively, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Rhode Island, Inc. as of December 31, 2021 and 2020, respectively, and the changes in its net assets 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Special Olympics Rhode Island, 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 Rhode Island, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Rhode Island, 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 Rhode Island, 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.

  
Cumberland, Rhode Island  
June 21, 2022

**Special Olympics Rhode Island, Inc.**

**Statements of Financial Position  
December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,011,489	\$ 1,319,737
Restricted cash - as custodian of team funds	230,051	217,531
Contributions and grants receivable	137,371	135,800
Prepaid expenses	3,720	3,163
Investments	1,884,804	987,996
Property and equipment, net	2,165,165	2,181,385
<b>Total Assets</b>	<b>\$ 5,432,600</b>	<b>\$ 4,845,612</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 10,280	\$ 30,855
Accrued liabilities	43,514	35,232
Liability for team funds	230,051	217,531
<b>Total Liabilities</b>	<b>283,845</b>	<b>283,618</b>
<b>Net Assets</b>		
Net assets without donor restrictions:		
Board designated	400,000	400,000
Undesignated - general operations	4,492,431	3,966,561
Total net assets without donor restrictions	4,892,431	4,366,561
Net assets with donor restrictions	256,324	195,433
<b>Total Net Assets</b>	<b>5,148,755</b>	<b>4,561,994</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 5,432,600</b>	<b>\$ 4,845,612</b>

The accompanying notes are an integral part of these financial statements.

Special Olympics Rhode Island, Inc.

Statement of Activities  
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
OPERATING REVENUE AND EXPENSES			
Revenue and other support:			
Contributions and grants	\$ 804,021	\$ 162,769	\$ 966,790
In-kind contributions	179,974	-	179,974
Event income	695,123	-	695,123
Other income	150,218	-	150,218
Total revenue and other support	1,829,336	162,769	1,992,105
Reclassification - net assets released from restrictions	101,878	(101,878)	-
TOTAL REVENUES AND RECLASSIFICATIONS	1,931,214	60,891	1,992,105
EXPENSES			
Program expenses	912,798	-	912,798
Supporting activities:			
Management and general	186,209	-	186,209
Fundraising	615,758	-	615,758
TOTAL EXPENSES	1,714,765	-	1,714,765
Total results from operations	216,449	60,891	277,340
NON-OPERATING REVENUE:			
Forgiveness of PPP loan	169,967	-	169,967
Investment return, net	139,454	-	139,454
Total non-operating revenue	309,421	-	309,421
INCREASE (DECREASE) IN NET ASSETS	525,870	60,891	586,761
NET ASSETS, BEGINNING OF YEAR	4,366,561	195,433	4,561,994
NET ASSETS, END OF YEAR	\$ 4,892,431	\$ 256,324	\$ 5,148,755

The accompanying notes are an integral part of these financial statements.



Special Olympics Rhode Island, Inc.

Statement of Activities  
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Totals
OPERATING REVENUE AND EXPENSES			
Revenue and other support:			
Contributions and grants	\$ 1,062,309	\$ 62,309	\$ 1,124,618
In-kind contributions	256,527	-	256,527
Event income	442,391	-	442,391
Other income	87,986	-	87,986
Total revenue and other support	1,849,213	62,309	1,911,522
Reclassification - net assets released from restrictions	15,899	(15,899)	-
TOTAL REVENUES AND RECLASSIFICATIONS	1,865,112	46,410	1,911,522
EXPENSES			
Program expenses	829,779	-	829,779
Supporting activities:			
Management and general	204,706	-	204,706
Fundraising	660,242	-	660,242
TOTAL EXPENSES	1,694,727	-	1,694,727
Total results from operations	170,385	46,410	216,795
NON-OPERATING REVENUE			
Forgiveness of PPP loan	172,200	-	172,200
Investment return, net	26,302	-	26,302
Total non-operating revenue	198,502	-	198,502
INCREASE (DECREASE) IN NET ASSETS	368,887	46,410	415,297
NET ASSETS, BEGINNING OF YEAR	3,997,674	149,023	4,146,697
NET ASSETS, END OF YEAR	\$ 4,366,561	\$ 195,433	\$ 4,561,994

The accompanying notes are an integral part of these financial statements.

**Special Olympics Rhode Island, Inc.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2021**

	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
Salaries and wages	\$ 509,152	\$ 97,179	\$ 268,626	\$ 874,957
Employee benefits	74,380	27,964	41,946	144,290
Payroll taxes	10,650	4,260	6,390	21,300
Event facility and related costs	-	-	39,000	39,000
Shirts and supplies	77,721	2,597	692	81,010
Officials and attendants	-	-	-	-
Advertising and public relations	65,456	1,200	19,219	85,875
Contracted services	30,049	7,503	82,450	120,002
Office supplies	6,222	2,489	4,214	12,925
Sporting activities	-	-	-	-
Trophies and awards	4,594	-	71,377	75,971
Vehicle and local travel	-	-	-	-
Meetings and workshops	10,662	317	1,922	12,901
Facility expenses	-	-	-	-
Occupancy	32,406	12,962	19,446	64,814
Travel	10,157	-	3,404	13,561
Assessment fees - Special Olympics International	12,441	4,976	7,465	24,882
Insurance	13,435	5,374	8,065	26,874
Professional fees	-	-	-	-
Printing	430	599	104	1,133
Equipment rentals, license & maintenance renewals	4,375	-	-	4,375
Miscellaneous	22,696	7,400	24,654	54,750
Total expenses before depreciation	884,826	174,820	598,974	1,658,620
Depreciation	27,972	11,389	16,784	56,145
Total Expenses	\$ 912,798	\$ 186,209	\$ 615,758	\$ 1,714,765

The accompanying notes are an integral part of these financial statements.



Special Olympics Rhode Island, Inc.

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
Salaries and wages	\$ 427,895	\$ 116,570	\$ 213,098	\$ 757,563
Employee benefits	68,972	27,589	41,383	137,944
Payroll taxes	29,756	11,903	17,854	59,513
Event facility and related costs	-	-	92,752	92,752
Shirts and supplies	1,867	15	19,965	21,847
Officials and attendants	41,560	-	-	41,560
Advertising and public relations	8,471	250	100,191	108,912
Contracted services	40,914	8,366	76,383	125,663
Office supplies	5,383	2,153	3,230	10,766
Sporting activities	14,125	-	-	14,125
Trophies and awards	5,678	-	586	6,264
Vehicle and local travel	3,162	595	1,849	5,606
Meetings and workshops	3,798	304	1,466	5,568
Facility expenses	10,651	4,260	6,391	21,302
Occupancy	12,753	5,101	7,652	25,506
Travel	2,001	-	-	2,001
Assessment fees - Special Olympics International	19,190	-	-	19,190
Insurance	11,099	4,440	6,659	22,198
Professional fees	3,665	1,466	2,199	7,330
Printing	1,499	575	3,764	5,838
Equipment rentals, license & maintenance renewals	22,071	3,651	11,153	36,875
Miscellaneous	66,751	6,079	36,584	109,414
Total expenses before depreciation	801,261	193,317	643,159	1,637,737
Depreciation	28,518	11,389	17,083	56,990
Total Expenses	\$ 829,779	\$ 204,706	\$ 660,242	\$ 1,694,727

The accompanying notes are an integral part of these financial statements.

**Special Olympics Rhode Island, Inc.**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 586,761	\$ 415,297
Net realized and unrealized gains on investments	(139,454)	(20,219)
Depreciation	56,145	56,990
Forgiveness of PPP Loan	(169,967)	(172,200)
Adjustments to change in net assets		
(Increase) decrease in:		
Contributions and grants receivable	(1,571)	127,709
Prepaid expenses	(557)	19,716
Other asset	-	8,081
Increase (decrease) in:		
Accounts payable	(20,575)	676
Accrued liabilities	8,282	16,678
Liability for team funds	12,520	(25,954)
Net cash provided by operating activities	<u>331,584</u>	<u>426,774</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(39,925)	(33,223)
Purchases of investments	<u>(757,354)</u>	<u>(101,024)</u>
Net cash used in investing activities	<u>(797,279)</u>	<u>(134,247)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	<u>169,967</u>	<u>172,200</u>
Net cash provided by financing activities	<u>169,967</u>	<u>172,200</u>
Net (decrease) increase in cash	(295,728)	464,727
Cash at beginning of year	<u>1,537,268</u>	<u>1,072,541</u>
Cash at end of year	<u><u>\$ 1,241,540</u></u>	<u><u>\$ 1,537,268</u></u>

The accompanying notes are an integral part of these financial statements.

# **SPECIAL OLYMPICS RHODE ISLAND, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

### **1. NATURE OF ORGANIZATION**

Special Olympics Rhode Island, Inc. (the Organization) is a Rhode Island non-profit corporation established to provide year-round training and athletic competition in a variety of well coached Olympic-type sports for all individuals with intellectual disabilities by providing them with continuing opportunities to develop physical fitness skills, express courage, experience joy, and participate in the sharing of gifts, skill, and friendship with their families, other athletes and the community.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are classified into two classes of net assets as follows:

- *Net assets without donor restrictions* – funds which management and the Board of Directors of the Organization retain full control to use in achieving any organizational purpose. These funds may include net assets without donor restrictions subject to self-imposed limits by action of the Board of Directors of the Organization whereby designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.
- *Net assets with donor restrictions* – funds restricted by outside sources which may only be utilized in accordance with purposes established by the donor of such funds. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as assets released from restriction. Certain donor restricted net assets have been restricted by donors to be maintained in perpetuity and only the income is to be utilized by the Organization. Income may be utilized for net assets with or without donor restrictions as established by the donor of such funds.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash balances and highly liquid investments with a maturity of six months or less to be cash equivalents.

### Restricted Cash and Liability for Team Funds

Restricted cash consists of cash maintained in a certain segregated bank account representing funds held on behalf of individual teams that participate in the Organization's team events. The Organization acts in a fiduciary capacity as the custodian of these funds. A corresponding liability is recorded for all funds held in behalf of the teams.

Total cash, as presented on the statement of cash flows, consists of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,011,489	\$ 1,319,737
Restricted cash – as custodian of team funds	<u>230,051</u>	<u>217,531</u>
Total cash and cash equivalents as reported on statement of cash flows	<u>\$ 1,241,540</u>	<u>\$ 1,537,268</u>

### Contributions and Grants Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend on are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Material unconditional promises to give that are expected to be collected in a period beyond one year are recorded at net realizable value, discounted for the present value of estimated future cash flows. The discounts on those amounts are computed using the Organization's internal investment rate of return applicable in the year of the gift and are included in contribution revenue. As of December 31, 2021 and 2020, respectively, a discount to determine present value was not considered necessary.

The Organization has adjusted for all known uncollectible amounts and an allowance for uncollectible amounts was not considered necessary at year end.

### Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation.

Property and equipment are depreciated using the straight-line method over the respective estimated useful lives of the assets.

#### Investments

Investments in marketable securities are reported at fair value. Investments also include a certificate of deposit with an original maturity of fifteen months which is reported at amortized cost which approximates fair value. Investment income is reported net of management fees.

#### Recognition of Donor Restrictions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

When a restriction expires (that is, when a stipulated or implied time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### In-kind Contributions

Donations of investment securities and other property items are recorded at their estimated fair market values at the date of donation. Non-monetary items are recorded at realizable value or at fair value when received, which is typically determined by an independent appraisal.

Contributed services are required to be recorded at their estimated fair value at the time such services are provided to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Organization. Many individuals volunteer their time to the Organization's program services and other activities. The value of these services has not been recognized in the accompanying financial statements, as it does not create or enhance nonfinancial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Organization.

#### Advertising

The Organization expenses advertising costs as they are incurred. During the years ended December 31, 2021 and 2020, respectively, the Organization incurred advertising and public relations expenses of approximately \$85,875 and \$108,912, respectively.



### Allocation of Functional Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis. Direct identification of expenses is used for charging expenses to a particular function. When certain costs benefit more than one function, the costs are allocated on a consistent basis based on either financial or non-financial data, such as headcount or estimates of time and effort incurred by personnel.

### Tax-Exempt Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to Federal income tax.

Management does not believe there are any material uncertain tax positions requiring disclosure or recognition. For the years ended December 31, 2021 and 2020, respectively, there were no tax related interest or penalties recorded or included in the accompanying financial statements.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the determination as to whether an allowance for uncollectible contributions and grants receivable is required, depreciation of property and equipment which was based on the estimated useful lives of such assets, the valuation methodology used in determining the fair value of investments and fair value of in-kind contributions received. Actual results could differ from those estimates.

### Subsequent Events

Management has evaluated subsequent events through June 21, 2022, which is the date the financial statements were available to be issued.



### 3. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,011,489	\$ 1,319,737
Restricted cash – team funds	230,051	217,531
Contributions and grants receivable	137,371	135,800
Investments	<u>1,884,804</u>	<u>987,996</u>
Total financial assets at year-end	3,263,715	2,661,064
Less amounts not available to be used for general operating purposes:		
Liability for team funds	230,051	217,531
Cash reserve which is subject to Board of Directors' approval	400,000	400,000
Less amounts not available to be used within one year:		
Investments held in perpetuity	44,483	41,083
Specified sporting activities and events in future years	<u>211,841</u>	<u>154,350</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,377,340</u>	<u>\$ 1,848,100</u>

The Organization is substantially supported by contributions which include amounts with donor restrictions for use in a particular manner or in a future period. The Organization must maintain sufficient resources to meet those responsibilities to its donors thus financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### 4. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2021 and 2020, respectively, contributions and grants receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Total contributions and grants receivable	<u>\$ 137,371</u>	<u>\$ 135,800</u>

## 5. PROPERTY AND EQUIPMENT

As of December 31, 2021 and 2020, respectively, property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 771,075	\$ 771,075
Building and improvements	1,871,355	1,864,967
Office furnishings and equipment	297,599	279,261
Vehicles	<u>48,262</u>	<u>48,262</u>
Total	2,988,291	2,963,565
Less accumulated depreciation	838,126	782,180
Construction in progress	<u>15,000</u>	<u>-</u>
Net property and equipment	<u>\$ 2,165,165</u>	<u>\$ 2,181,385</u>

## 6. INVESTMENTS

As of December 31, 2021 and 2020, respectively, the Organization's investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Marketable securities, at fair value:		
Money market funds	\$ 20,362	\$ 37,827
Equities	209,342	102,598
Mutual funds	<u>1,550,326</u>	<u>743,207</u>
Total marketable securities	1,780,030	883,632
Certificates of deposit	<u>104,774</u>	<u>104,364</u>
Total investments	<u>\$ 1,884,804</u>	<u>\$ 987,996</u>

As of the years ended December 31, 2021 and 2020, respectively, investments were held for the following purposes:

	<u>2021</u>	<u>2020</u>
Board designated for operating and capital improvement reserves	\$ 400,000	\$ 400,000
Donor-restricted for investment in perpetuity	44,483	41,083
Undesignated and without donor-restrictions	<u>1,440,321</u>	<u>546,913</u>
Total investments	<u>\$ 1,884,804</u>	<u>\$ 987,996</u>

Investment returns, net, for years 2021 and 2020, are as follows:

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 1,349	\$ -	\$ 1,349
Net realized and unrealized gains	<u>138,105</u>	<u>-</u>	<u>138,105</u>
Investment return, net	<u>\$ 139,454</u>	<u>\$ -</u>	<u>\$ 139,454</u>

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 6,083	\$ -	\$ 6,083
Net realized and unrealized gains	<u>20,219</u>	<u>-</u>	<u>20,219</u>
Investment return, net	<u>\$ 26,302</u>	<u>\$ -</u>	<u>\$ 26,302</u>

## 7. FAIR VALUE MEASUREMENTS

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices, other than quoted prices within Level 1, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- 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.

Level 3: Unobservable inputs which are used when little or no market activity is available at the measurement date. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation methodologies that maximize the use of observable inputs to the extent possible.

The methodologies used to determine fair value may produce fair value calculations that may not have been indicative of net realizable values or reflective of future fair values. Furthermore, although management believes its valuation methodologies 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 different fair value measurements at the reporting date.

Investments carried at fair value at December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Investments in				
Marketable securities	\$1,780,030	-	-	\$1,780,030
Certificates of deposit	<u>104,774</u>	-	-	<u>104,774</u>
Total	<u>\$1,884,804</u>			<u>\$1,884,804</u>

Investments carried at fair value at December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Investments in				
Marketable securities	\$ 883,632	-	-	\$ 883,632
Certificates of deposit	<u>104,364</u>	-	-	<u>104,364</u>
Total	<u>\$ 987,996</u>			<u>\$ 987,996</u>

## 8. NET ASSETS

### Net Assets Without Donor Restrictions

As of December 31, 2021 and 2020, respectively, net assets without donor restrictions include \$400,000 that was designated by the Board of Directors as a reserve for operating and capital improvement purposes. These funds will be used when approved by the Board of Directors.

### Net Assets With Donor Restrictions

As of December 31, 2021 and 2020, respectively, the Organization has net assets with donor restrictions available for the following purposes:

	<u>2021</u>	<u>2020</u>
Specified sporting activities and events in future years	\$ 211,841	\$ 154,350
Investment in perpetuity	<u>44,483</u>	<u>41,083</u>
Total	<u>\$ 256,324</u>	<u>\$ 195,433</u>



#### Net Assets Released from Restrictions

For the years ended December 31, 2021 and 2020, respectively, net assets were released from donor restrictions by incurring expenses satisfying the donor restrictions, which purpose was for specified sporting activities and events occurring during the year.

### **9. ENDOWMENT**

The Organization's endowment consists of two donor-restricted endowment funds established for investment in perpetuity to provide income for the Organization's purposes. As required by U.S. 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

The Board of Directors, under the State of Rhode Island Uniform Prudent Management of Institutional Funds Act (R.I. UPMIFA), is allowed to exercise prudence when appropriating for expenditure or accumulation of endowment funds and consider the uses, benefits, purposes, and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the Board of Directors shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- The duration and preservation of the endowment fund;
- The purposes of the Organization and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policy of the Organization.

#### Return Objectives and Risk Parameters

The Organization has adopted an investment policy, as approved by the Board of Directors, which emphasizes total return while preserving the endowment's principal. In order to minimize the probability of loss of principal, emphasis is placed on minimizing return volatility rather than maximizing return. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. The organization expects its endowment funds, over time, to provide average rate of return that allows the Organization to distribute funds in accordance with its spending policy while remaining compliant with the R.I. UPMIFA requirement of prudence. The Board's expectations are evaluated regularly based on the current market and economic conditions.



### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization considers the long-term expected return on its endowment when determining appropriations from the endowment. Over the long term, the Organization expects its endowment to grow at a rate that preserves the purchasing power of the original investment. However, amounts appropriated are adjusted annually based on current economic and operational needs with approval of its Board of Directors.

The Organization has a policy that permits spending from funds with deficiency depending on the degree to which the fund is deficient, unless otherwise precluded by donor intent or relevant laws and regulations.

### Endowment Net Assets Classification as of December 31, 2021 and 2020, respectively:

	With Donor Restrictions <u>2021</u>	With Donor Restrictions <u>2020</u>
Endowment funds restricted by donor	<u>\$ 44,483</u>	<u>\$ 41,083</u>

### Changes in Endowment Net Assets for the Year Ended December 31, 2021 and 2020, respectively:

	With Donor Restrictions <u>2021</u>	With Donor Restrictions <u>2020</u>
Endowment net assets, beginning of year	\$ 41,083	\$ 36,141
Investment return	3,400	4,942
Contributions	-	-
Appropriated for expenditure	-	-
Endowment net assets, end of year	<u>\$ 44,483</u>	<u>\$ 41,083</u>

## 10. IN-KIND CONTRIBUTIONS

For the years ended December 31, 2021 and 2020, respectively, gifts in-kind consisted of the following:

	<u>2021</u>	<u>2020</u>
Specialized services	\$ -	\$ 63,834
Advertising and public relations	65,456	97,940
Donated contracted services	66,348	20,000
Sporting activities	-	14,125
Event facility	39,000	58,750
Miscellaneous	<u>9,170</u>	<u>1,878</u>
Total	<u>\$ 179,974</u>	<u>\$ 256,527</u>

## 11. REVENUE – PPP LOAN FORGIVENESS

Funds were received through the Paycheck Protection Program which were initially recorded as a loan on January 20, 2021. This loan was subsequently forgiven on August 24, 2021 and included in revenue in the statement of activities as PPP loan forgiveness totaling \$169,967 during year ended December 31, 2021.

Funds were received through the Paycheck Protection Program which were initially recorded as a loan. This loan was subsequently forgiven and included in revenue in the statement of activities as PPP loan forgiveness totaling \$172,200 during year ended December 31, 2020.

## 12. AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

The Organization is an accredited program under a two-year accreditation license agreement with Special Olympics, Inc. (SOI), a District of Columbia nonprofit organization, which expires December 31, 2022. Under the accreditation license agreement, the Organization has the legal right to use the Special Olympics name, logo, and other trademarks within its jurisdiction, to conduct Special Olympics sports and related activities, and to raise funds under the Special Olympics name. In addition, the Organization has access to numerous other benefits including access to financial resources through grants, revenue sharing, and coordinated fundraising activities. During the years ended December 31, 2021 and 2020, respectively, the Organization received support and revenue of approximately \$462 and \$910 from SOI and paid \$24,882 and \$19,190 to SOI which was mainly related to accreditation fee.

The Organization obtained insurance through an agency that is owned by a member of the Organization's Board of Directors. During the years ended December 31, 2021 and 2020, respectively, the Organization paid the insurance agency \$5,637 and \$4,379 for insurance coverage.

### **13. EMPLOYEE BENEFIT PLAN**

The Organization has a defined contribution retirement plan covering substantially all employees who have completed one year of service. Such plan qualifies under Section 403(b) of the Code. Under the plan, the Organization will make a contribution for each eligible employee. For the year ended December 31, 2021 and 2020, respectively, the Organization's contributions to the plan amounted to approximately \$36,981 and \$45,287, respectively.

### **14. RISKS AND CONCENTRATIONS AND MAJOR REVENUE SOURCE**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash, restricted cash, contributions and grants receivable, and investments. Investments are also exposed to other risks such as market and interest rate risks.

Cash subjects the Organization to credit risk in that, from time to time, cash deposits exceed the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insurance limits of \$250,000. Management considers such circumstances to be normal business risks.

As of December 31, 2021 and 2020, respectively, investments consisted of a diversified portfolio consisting of a certificate of deposit, money market funds, equities, mutual funds and exchange traded funds. Management believes the diversity of the portfolio minimizes the risk of loss.

The Organization had contributions and grants receivable from two donors representing approximately 58.0% and 29.7% as of December 31, 2021 and 46.1% and 36.2% as of December 31, 2020 of total contributions and grants receivable, respectively. The Organization believes that such amounts are fully collectible. Furthermore, the Organization does not have a history of significant bad debt write-offs.

Support and revenue from Special Olympics, Inc. represented .02% and .04% of the Organization's total support and revenue for years ended December 31, 2021 and 2020, respectively.

### **15. COVID-19 PANDEMIC AND RESPONSE**

In 2021, Special Olympics Rhode Island was still feeling the impact of Covid-19 especially with respect to the administration of programming with our athletes. The number of programs offered and the number of athletes participating dropped dramatically. That being said, we followed guidelines established by the State of Rhode Island Department of Health, the CDC and Special Olympics International. Safety precautions were taken to include contact tracing, temperature recordings, and social distancing.