SPECIAL OLYMPICS ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2020

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

SPECIAL OLYMPICS ARIZONA, INC.

We have audited the accompanying financial statements of ***Special Olympics Arizona, Inc.***, which comprise the statement of financial position at December 31, 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Special Olympics Arizona, Inc.*** as of December 31, 2020, 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.

Mayer Hoffman McCann P.C.

September 15, 2021

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	622,815
Contributions receivable		346,919
Prepaid expenses		51,711
Prepaid rent		138,217
Other current assets		24,665
TOTAL CURRENT ASSETS		1,184,327
CASH RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT		10,033
LONG-TERM INVESTMENTS		2,151,235
PREPAID RENT, net of current portion		2,568,902
PROPERTY AND EQUIPMENT, net		581,529
TOTAL ASSETS	$	6,496,026

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	2,769
Accrued expenses		194,840
Deferred revenue		103,218
TOTAL CURRENT LIABILITIES		300,827
NET ASSETS		
Without donor restrictions		5,838,247
With donor restrictions		356,952
TOTAL NET ASSETS		6,195,199
TOTAL LIABILITIES AND NET ASSETS	$	6,496,026

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 2,187,827	$ 346,919	$ 2,534,746
Donated materials and services	1,428,715	-	1,428,715
Telemarketing and direct mail	307,635	-	307,635
Merchandise sales	3,722	-	3,722
Investment income	128,692	-	128,692
Other income	3,070	-	3,070
Net assets released from restriction	1,317,427	(1,317,427)	-
Total support and revenue before special events	5,377,088	(970,508)	4,406,580
State special events	604,016	-	604,016
Less cost of direct donor benefits	(82,031)	-	(82,031)
Gross profit on state special events	521,985	-	521,985
Local special events	164,733	-	164,733
Less cost of direct donor benefits	(26,723)	-	(26,723)
Gross profit on local special events	138,010	-	138,010
TOTAL SUPPORT AND REVENUE	6,037,083	(970,508)	5,066,575
FUNCTIONAL EXPENSES			
Program services:			
State and local programs	1,827,802	-	1,827,802
Competitions	1,402,271	-	1,402,271
Public education	535,621	-	535,621
Outreach, volunteers, and trainng	554,924	-	554,924
Total program services	4,320,618	-	4,320,618
Support services:			
General and administrative	348,908	-	348,908
Fundraising	151,769	-	151,769
Total support services	500,677	-	500,677
TOTAL FUNCTIONAL EXPENSES	4,821,295	-	4,821,295
CHAPTER ASSESSMENT	76,104	-	76,104
TOTAL EXPENSES	4,897,399	-	4,897,399
CHANGE IN NET ASSETS	1,139,684	(970,508)	169,176
NET ASSETS, BEGINNING OF YEAR	4,698,563	1,327,460	6,026,023
NET ASSETS, END OF YEAR	$ 5,838,247	$ 356,952	$ 6,195,199

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	State and Local Programs	Competitions	Public Education	Outreach, Volunteers, and Training	Total Programs	General and Administrative	Fundraising	Total
Compensation of current officers	$ 41,610	$ 39,946	$ 28,295	$ 31,624	$ 141,475	$ 13,315	$ 11,651	$ 166,441
Other salaries and wages	379,913	364,716	258,341	288,734	1,291,704	121,572	106,376	1,519,652
401(k) contributions	53,931	12,844	9,098	10,168	86,041	4,281	3,746	94,068
Other employee benefits	54,486	52,307	37,051	41,410	185,254	17,436	15,256	217,946
Payroll taxes	90,091	15,901	11,263	12,588	129,843	5,300	4,638	139,781
Consulting and management	91,287	30,512	31,179	23,414	176,392	9,121	140	185,653
Audit and accounting fees	7,625	7,320	5,185	5,795	25,925	2,440	2,135	30,500
Office expense	11,919	17,066	8,105	9,058	46,148	3,564	42,852	92,564
IT services	26,450	13,836	9,800	10,953	61,039	4,612	4,035	69,686
Occupancy	64,840	27,169	23,327	10,873	126,209	4,578	12,756	143,543
Travel	25,665	12,316	5,564	5,918	49,463	2,302	2,658	54,423
Conferences, conventions, meetings	10,313	4,101	2,695	3,733	20,842	1,172	-	22,014
Interest and bank charges	1,890	1,781	1,262	1,410	6,343	548	-	6,891
Depreciation	52,719	50,610	35,849	40,066	179,244	15,586	-	194,830
Insurance	23,147	22,221	15,740	17,592	78,700	6,844	-	85,544
Competitions	216	854	-	-	1,070	-	-	1,070
Supplies	299,875	112,457	18,462	20,494	451,288	10,090	12,376	473,754
Awards	5,850	12,982	559	625	20,016	243	3,200	23,459
Fundraising	150	5,357	15,532	-	21,039	-	472	21,511
In-kind services and materials	585,825	597,975	18,314	20,469	1,222,583	6,529	38,232	1,267,344
Bad debt expense	-	-	-	-	-	119,375	-	119,375
TOTAL FUNCTIONAL EXPENSES	1,827,802	1,402,271	535,621	554,924	4,320,618	348,908	260,523	4,930,049
Chapter assessment	19,026	18,265	12,938	14,460	64,689	6,088	5,327	76,104
TOTAL EXPENSES	$ 1,846,828	$ 1,420,536	$ 548,559	$ 569,384	$ 4,385,307	$ 354,996	$ 265,850	$ 5,006,153

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	169,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		194,830
Realized/unrealized gains on investments		(77,849)
Donated property and equipment		(199,603)
Bad debt expense		119,375
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable		11,166
Prepaid rent		57,229
Prepaid expenses		(8,646)
Other current assets		(20,620)
Increase (decrease) in:		
Accounts payable		32,914
Accrued expenses		74,045
Deferred revenue		103,218
Net cash provided by operating activities		455,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		(1,210,039)
Proceeds from sale of investments		1,498,191
Purchases of property and equipment		(1,060,873)
Net cash used in investing activities		(772,721)
NET CHANGE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH		(317,486)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF YEAR		950,334
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	$	632,848
NON CASH INVESTING AND FINANCING ACTIVITIES		
Non-cash transfer of property and equipment to prepaid rent	$	2,764,348
Cash and cash equivalents	$	622,815
Cash restricted to investment in property and equipment		10,033
	$	632,848

(1) Nature of operations and summary of significant accounting policies

Nature of operations - ***Special Olympics Arizona, Inc.*** (the "Organization") was formed to provide year-round sports training and athletic competition to all 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, other Special Olympians and the community. The Organization is accredited by Special Olympics International ("SOI"), an international Olympic training and competition program. The Organization is the legal entity for all area and local SOI programs in Arizona. The Chapter headquarters in Phoenix, Arizona accounts for all activity for the Organization's programs. There are two levels of programs, as follows:

1. State Programs - These programs are run by full-time employees. The accounting records are under the direction of a full-time Vice President of Finance & Administration.

2. Local Programs - These programs are run by area directors, whom are also employees of the Organization. There are 6 of these programs located throughout Arizona.

The significant accounting policies followed by the Organization are summarized below:

Basis of presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Organization maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

Management's use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(1) Nature of operations and summary of significant accounting policies (continued)

Cash and cash equivalents - Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Cash deposits at commercial banks are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Investments - The Organization accounts for its investments in accordance with FASB ASC 958-321*, Not-for-Profit Entities - Investments - Equity Securities*. Under FASB ASC 958-321, the Organization is required to report investments in equity securities at fair value. The fair values of investments are based on quoted market prices or, if applicable, at net asset value ("NAV"). At December 31, 2020, investments are classified as long-term assets based on management's intent.

Fair value measurements - FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Contributions receivable - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2020, all contributions receivable are due within one year. During the year ended December 31, 2020, an outstanding contributions receivable was considered uncollectible by management and was written off to bad debt expense for approximately $120,000.

Prepaid rent - In October 2018, the Organization signed an agreement with the Arizona Department of Corrections (the "DOC") to build a new site on land owned by the DOC. The construction was to be funded by the Organization and the facility was to be transferred to the DOC upon completion, but used exclusively by the Organization in accordance with the terms of the agreement. In July 2020, the Organization transferred the building to the DOC free and clear of any claim to the building and any fixtures at its total value of $2,764,348. Upon transfer, the Organization began leasing the building from the DOC for a period of 20 years "rent free". The Organization accounted for the agreement as an exchange transaction as the value of the building upon completion approximates the present value of future lease expense. The transfer of the building represents prepaid rent and is being amortized on a straight-line basis over the lease term. See Note 6.

(1) Nature of operations and summary of significant accounting policies (continued)

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Office furniture and equipment	3 - 7 years
Software and licenses	3 - 5 years
Vehicles	5 - 7 years

Impairment of long-lived assets - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment.* FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded in 2020.

Contributions and grants - In accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, the Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the resource provider. The transfer of commensurate value from the Organization to the resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers,* or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return from the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and the right of return do not exist, the contribution is unconditional.

(1) Nature of operations and summary of significant accounting policies (continued)

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions with donor restrictions are reported as an increase in net assets with donor restrictions. When a 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 reported in the statement of activities and change in net assets as net assets released from restrictions. Restricted support where restrictions are met in the same period as the donation is made is shown as additions to contributions without donor restrictions. Additionally, contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of net assets without donor restrictions class.

During the year ended December 31, 2020, the Organization received various grants that are conditional in nature and the revenue can only be recognized once funds have been spent on qualifying costs. As of December 31, 2020, the Organization received approximately $103,000 of funding for which the conditions have not yet been met. These amounts are included in deferred revenue in the accompanying statement of financial position.

Telemarketing and direct mail - The Organization has telemarketing and direct mail contracts that account for a portion of the Organization's total support. Under the contracts, third party administrators are given the right to raise support on behalf of the Organization. The support raised represents individual contributions as a result of direct solicitation by either telephone or mail. Revenue under the telemarketing and direct mail contracts is recognized in accordance with contributions discussed above.

Donated materials and services - Donated materials and services are reflected in the accompanying financial statements at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs, such as games management, coaching, training, program coordinator, area director, referees and umpires, and chaperons. Without this dedicated volunteer support, the Organization would be unable to accomplish its mission.

The Organization is dependent on donated materials and services from such diverse groups as local government parks and recreation departments, quasi-government organizations, universities, merchant and restaurant organizations and businesses. Without these donations, the Organization would be unable to carry out its mission to provide sporting competition for the developmentally disabled. The Organization received the following donated materials and services during the year ended December 31, 2020:

Volunteer time	$ 1,057,219
Property and equipment	199,603
Facilities	22,487
Printing and media	136,828
Food and beverage	4,336
Fundraising items	5,464
Equipment rental, uniforms, and supplies	41,010
Total donated materials and services	$ 1,466,947

For the year ended December 31, 2020, $38,232 of donated materials and services are included in special events revenue, as the donations were specifically for the special events.

(1) Nature of operations and summary of significant accounting policies (continued)

Special events revenue - The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying statement of activities and change in net assets.

Functional expenses - The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel activity and other appropriate allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Occupancy, competition and fundraising expenses are directly assigned to program and supporting services. All other expenses are allocated based on time and effort.

Income tax status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. At December 31, 2020, management does not believe the Organization has any uncertain tax positions. The Organization's policy is to classify income tax penalties and interest in general and administrative expense in the accompanying statement of activities and change in net assets, if any.

The Organization's federal Return of Organizations Exempt from Income Tax (Form 990) for 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2020 return had not yet been filed.

Recent accounting pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization estimates that if they were to adopt ASU 2016-02 for the year ended December 31, 2020, there would be no material impact to the financial statements.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842),* which allows certain entities to elect to defer the effective date of the provisions of FASB ASU No. 2014-09 and ASU No. 2015-14 and ASU No. 2016-02. These entities may elect to adopt the guidance for revenue for annual reporting periods beginning after December 15, 2019. Additionally, under the amendments, entities may elect to adopt the leases guidance for fiscal years beginning after December 15, 2021.

(1) Nature of operations and summary of significant accounting policies (continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which requires the entity to present contributed nonfinancial assets in a separate line item in the statement of activities and change in net assets and disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. Additionally, the entity must disclose a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact adoption would have on the financial statements.

Subsequent events - The Organization has evaluated subsequent events through September 15, 2021, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of the following at December 31, 2020:

Mutual funds - equity	$ 735,547
Mutual funds - fixed income	636,412
Common stock	56,092
Cash and cash equivalents	10,790
MRA Opportunities Fund I A	250,671
MRA Credit Strategies Fund	114,670
Vida Longevity Fund, LP	226,628
Ceres Farms, LLC	120,425
Total investments	$ 2,151,235

Investment income consists of the following for the year ended December 31, 2020:

Dividend and interest income	$ 59,142
Realized/unrealized investment gains	77,849
Investment fees	(8,299)
Investment income	$ 128,692

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

(3) Fair value measurements

The following table summarizes the valuation of the Organization's assets subject to measurement at fair value by the FASB ASC 820 categories, other than investments measured at NAV as a practical expedient, as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity:				
U.S. large cap	$ 227,251	$ -	$ -	$ 227,251
U.S. small/mid cap	175,594	-	-	175,594
International emerging market	109,336	-	-	109,336
International large cap	147,865			147,865
Multi-strategy	75,501	-	-	75,501
Common Stock	56,092	-	-	56,092
Mutual fund - fixed income	636,412	-	-	636,412
Total	$ 1,428,051	$ -	$ -	$ 1,428,051

In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of the investments reported at NAV. The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of December 31, 2020:

	Fair Value	Unfunded Commitments	Frequency	Notice Period
MRA Opportunities Fund I A	$ 250,671	$ -	N/A	5 year lock up
MRA Credit Strategies Fund	114,670	-	N/A	N/A
Vida Longevity Fund, LP	226,628	-	Quarterly	180 days notice
Ceres Farms, LLC	120,425	-	Annually	Written notice by September 30th each year
Total	$ 712,394	$ -		

MRA Opportunities Fund I A - The policy of this fund is to invest in interests in underlying funds that are investing into private debt, providing an opportunity for higher yields with reasonable risk tradeoffs relative to publicly traded fixed income. The general manager of the fund is not required to fund capital redemptions from the fund. Capital will be distributed to the partners at amounts and times as the general partner may determine in its sole discretion.

MRA Credit Strategies Fund - The policy of this fund is to invest in underlying partnerships that invest in a variety of asset classes, including non-performing loans, collateralized loan obligations, private debt and real estate loans. Partners do not have the right to request capital redemptions from the partnership. Capital redemptions will be made at times, and amounts as determined by the general partner, in its sole discretion.

(3) Fair value measurements (continued)

Vida Longevity Fund, LP - The policy of this fund is to acquire longevity and longevity-backed assets and then seeks to maximize gains by either holding their assets to term or selling them to interested parties on the secondary of tertiary market. The fund is managed by Vida Management I, LLC and capital will be distributed at each general partner's discretion, and upon liquidation of the fund.

Ceres Farms, LLC - The policy of this fund is to generate an attractive total return through the acquisition and management of farmland in the Midwestern United States. Ceres Partners, LLC serves as the fund's investment advisor and acts as the manager of the fund. Capital will be distributed to the partners at amounts and times as the manager may determine in its sole discretion.

(4) Contributions receivable

Contributions receivable consist of the following at December 31, 2020:

Contributions and grants	$ 230,725
Special Olympics International	116,194
Total contributions receivable	$ 346,919

As of December 31, 2020, the Organization has contributions receivable from one donor totaling approximately 29%, of the total contributions receivable in the accompanying statement of financial position.

(5) Property and equipment

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

Cost and donated value:	
Office furniture and equipment	$ 1,137,061
Software and licenses	380,013
Vehicles	557,770
Total cost and donated value	2,074,844
Accumulated depreciation	(1,493,315)
Property and equipment, net	$ 581,529

Depreciation expense charged to operations was $194,830 for the year ended December 31, 2020.

(6) Operating leases

The Organization has entered into non-cancelable operating lease agreements for office and storage space and equipment expiring through 2026. The total future minimum lease commitments payable under these lease agreements are as follows:

Years Ending December 31,		
2021	$	20,969
2022		17,140
2023		17,140
2024		17,140
2025		11,269
Thereafter		1,349
Total minimum future rental payments	$	85,007

Rental expense on leases with terms exceeding one month for the year ended December 31, 2020 was $103,268. Upon expiration of the office and storage space agreements in June 2020, the leases were not renewed as the Organization moved into their new site described below. In the normal course of business, operating leases for equipment are generally renewed or replaced by other leases.

As discussed in Note 1 to the financial statements, in July 2020, the Organization entered into a 20 year lease agreement with the DOC. The rent was paid in full at the time that the Organization transferred the full constructed facility to the DOC. The value of the transferred building is being amortized to rent expense on a straight-line basis over the initial 20 year term of the lease.

(7) Line of credit

In April 2020, the Organization entered into a revolving line of credit agreement with a bank. The line of credit agreement is collateralized by substantially all of the Organization’s assets. The Organization may make advances up to $500,000 until May 1, 2021. Advances on the line of credit are subject to interest rate of the prime rate plus 1.00% (5.25% at December 31, 2020). The line of credit was not used during the year ended December 31, 2020. Upon maturity of the line of credit, the agreement was renewed and amended to decrease the line of credit to $250,000 and extend the maturity date to June 1, 2022.

(8) Chapter assessment

The Organization is allocated a portion of Special Olympics International’s expenses. The chapter assessment included on the statement of activities and change in net assets represents the amount allocated to the Organization.

(9) <u>Net assets with donor restrictions</u>

Net assets with donor restrictions consist of time restricted contributions receivable (See Note 4). Releases from restriction represent collections on the contributions receivable and $850,000 of restrictions released when the new facility was completed.

(10) <u>Net assets without donor restrictions</u>

The Organization has a board-designated endowment account.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Directors of the Organization has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets subject to purpose or time restrictions based upon the presence or absence of direction from the donor and are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by MCFA. The Organization has no donor-restricted endowment funds at December 31, 2020.

The changes in endowment net assets for the year ended December 31, 2020 were as follows:

Endowment net assets, beginning of year	$ 2,323,995
Investment return:	
Investment income, net	50,498
Net appreciation (realized and unrealized)	58,249
Other changes:	
Withdrawals	(340,000)
Endowment net assets, end of year	$ 2,092,742

The investment objective of the endowment is, commensurate with a prudent level of risk, the preservation and enhancement of the real purchasing power of the contributed principal of the endowment while providing a predictable and satisfactory stream of income. In order of priority, the investment objective of the endowment is: (1) the preservation of contributed principal; (2) the growth of such principal to more than offset inflation and (3) the production of a satisfactory level of current income. The target return for the endowment is 4-7%, net of fees, over a 10-year rolling period. Current potential spending is reserved to 5% and is for non-recurring initiatives approved by the Board of Directors and the CEO that will further the mission of Special Olympics or improve the Organization. During 2020, $340,000 was withdrawn from the endowment to support the operating cash flows of the Organization during the COVID-19 pandemic.

(11) <u>401(k) plan</u>

The Organization has a 401(k) profit sharing plan covering eligible employees. The plan provides for the Organization to match 100% of employees' contributions up to 4% of their total compensation. Effective August 1, 2019, the Organization matches 100% of employees' contributions up to 6% of their total compensation. Contributions made by the Organization were $94,068 for the year ended December 31, 2020.

(12) Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits in banks and contributions receivable. The Organization does not anticipate nonperformance by the parties associated with the contributions receivable based on historical collections.

(13) Risks and uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

The COVID-19 outbreak has triggered volatility in financial markets and a significant negative impact on the global economy. The extent of the impact of COVID-19 on the Organization’s operational and financial performance depend on certain developments, including the duration and spread of the outbreak, and the impact on employees, donors and vendors, all of which are uncertain and cannot be predicted. Beginning in March 2020, the Spring sports season, State Basketball and Cheer and State Summer Games were cancelled. The Organization transitioned to virtual programming to serve its community.

In response to the pandemic, the U.S. Government has enacted fiscal and monetary stimulus measures to counteract the disruption caused by the coronavirus. The Organization applied for and received a forgivable Paycheck Protection Program Loan of approximately $366,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on May 3, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through November 2020 and that certain employment levels are maintained or certain safe harbor requirements are met. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due May 2023 and carries an interest rate of 1%. The Organization accounts for this agreement in accordance with FASB ASC 958-605 as a conditional contribution. As of December 31, 2020, the Organization estimates that they have satisfied the conditions of the loan to qualify for full forgiveness. As a result, such forgiveness is included within contributions in the accompanying statement of activities and changes in net assets. The loan was forgiven subsequent to year end on April 29, 2021.

On March 23, 2021, the Organization applied for and received a second stimulus loan in the amount of approximately $391,000 the proceeds of which will largely be used to fund payroll costs. The loan has the same terms as the loan described above. The Organization anticipates the loan will ultimately be forgiven, however there is no assurance of such forgiveness. Additionally, subsequent to year end, the Organization renewed their line of credit agreement for up to $250,000 and matures June 1, 2022.

As of the date the financial statements were available to be issued, except as noted above, the Organization’s operations have not been significantly negatively impacted. However, the Organization continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Organization could experience a material negative impact to operations, cash flows, and financial condition. However, the extent of the impact cannot be reasonably estimated at this time.

(14) Liquidity and availability of resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are as follows:

Cash, cash equivalents, and restricted cash	$ 632,848
Contributions receivable	346,919
Investments	2,151,235
Total financial assets	3,131,002
Less:	
Cash restricted to investment in property and equipment	(10,033)
Board designated investments	(2,092,742)
Alternative investments with liquidity restrictions	(365,341)
Financial assets available to meet cash needs for general expenditure within one year	$ 662,886

The Organization monitors its cash flows to ensure the fulfillment of all obligations, primarily related to state competitions. The Organization's policy is to maintain larger balances of cash on hand before the competition season begins. As part of the Organization's liquidity plan, excess cash is invested in short-term investments, primarily mutual funds, so as to have readily liquid investments available as needed. The Board of Directors designated investments may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. For the year ended December 31, 2021, the Organization will have $250,000 available to draw under a line of credit.