SPECIAL OLYMPICS ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2021

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

SPECIAL OLYMPICS ARIZONA, INC.

Opinion

We have audited the financial statements of ***Special Olympics Arizona, Inc.*** (the "Organization"), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

Mayer Hoffman McCann P.C.

November 14, 2022

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,026,891
Contributions receivable	1,295,189
Prepaid expenses	79,173
Prepaid rent	138,217
Other current assets	838
TOTAL CURRENT ASSETS	2,540,308
CASH RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT	10,034
INVESTMENTS	2,365,751
PREPAID RENT, net of current portion	2,430,323
PROPERTY AND EQUIPMENT, net	575,136
TOTAL ASSETS	$ 7,921,552

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ -
Accrued expenses	166,256
Deferred revenue	126,524
TOTAL CURRENT LIABILITIES	292,780
NET ASSETS	
Without donor restrictions	7,618,738
With donor restrictions	10,034
TOTAL NET ASSETS	7,628,772
TOTAL LIABILITIES AND NET ASSETS	$ 7,921,552

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 3,678,114	$ -	$ 3,678,114
Donated materials and services	1,226,211	-	1,226,211
Telemarketing and direct mail	355,970	-	355,970
Merchandise sales	11,793	-	11,793
Investment income	214,516	1	214,517
Net assets released from restriction	346,919	(346,919)	-
Total support and revenue before special events	5,833,523	(346,918)	5,486,605
State special events	1,826,329	-	1,826,329
Less cost of direct donor benefits	(836,183)	-	(836,183)
Gross profit on state special events	990,146	-	990,146
Local special events	304,505	-	304,505
Less cost of direct donor benefits	(76,456)	-	(76,456)
Gross profit on local special events	228,049	-	228,049
TOTAL SUPPORT AND REVENUE	7,051,718	(346,918)	6,704,800
FUNCTIONAL EXPENSES			
Program services:			
State and local programs	2,316,564	-	2,316,564
Competitions	1,234,261	-	1,234,261
Public education	714,986	-	714,986
Outreach, volunteers, and trainng	538,030	-	538,030
Total program services	4,803,841	-	4,803,841
Support services:			
General and administrative	222,519	-	222,519
Fundraising	151,596	-	151,596
Total support services	374,115	-	374,115
TOTAL FUNCTIONAL EXPENSES	5,177,956	-	5,177,956
CHAPTER ASSESSMENT	93,271	-	93,271
TOTAL EXPENSES	5,271,227	-	5,271,227
CHANGE IN NET ASSETS	1,780,491	(346,918)	1,433,573
NET ASSETS, BEGINNING OF YEAR	5,838,247	356,952	6,195,199
NET ASSETS, END OF YEAR	$ 7,618,738	$ 10,034	$ 7,628,772

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	State and Local Programs	Competitions	Public Education	Outreach, Volunteers, and Training	Total Programs	General and Administrative	Fundraising	Total
Compensation of current officers	$ 39,000	$ 37,440	$ 26,520	$ 29,640	$ 132,600	$ 12,480	$ 10,920	$ 156,000
Other salaries and wages	377,989	362,869	257,032	287,271	1,285,161	120,956	105,837	1,511,954
401(k) contributions	59,950	9,328	6,607	7,384	83,269	3,109	2,721	89,099
Other employee benefits	45,562	43,739	30,982	34,627	154,910	14,580	12,757	182,247
Payroll taxes	91,140	15,810	11,198	12,516	130,664	5,270	4,611	140,545
Consulting and management	268,489	32,100	244,856	24,681	570,126	9,619	202	579,947
Audit and accounting fees	8,453	8,114	5,748	6,424	28,739	2,705	2,367	33,811
Office expense	8,247	32,307	5,608	6,268	52,430	2,491	607	55,528
IT services	27,990	8,851	6,270	7,007	50,118	2,950	2,582	55,650
Occupancy	144,134	68,216	24,309	26,363	263,022	11,100	9,713	283,835
Travel	60,396	60,958	5,421	4,256	131,031	1,656	-	132,687
Conferences, conventions, meetings	12,698	3,297	1,722	1,995	19,712	749	-	20,461
Interest and bank charges	4,120	5,257	10,386	2,911	22,674	1,133	-	23,807
Depreciation	52,661	50,555	35,810	40,023	179,049	15,569	-	194,618
Insurance	26,605	25,541	18,091	20,220	90,457	7,866	-	98,323
Competitions	250	10,790	-	-	11,040	-	-	11,040
Supplies	329,014	84,749	19,678	21,444	454,885	8,341	-	463,226
Awards	3,220	16,606	655	426	20,907	166	-	21,073
Fundraising	-	5,518	-	-	5,518	-	472,266	477,784
In-kind services and materials	892,574	352,216	307,817	4,574	1,557,181	1,779	-	1,558,960
TOTAL FUNCTIONAL EXPENSES	2,452,492	1,234,261	1,018,710	538,030	5,243,493	222,519	624,583	6,090,595
Chapter assessment	23,318	22,385	15,856	17,721	79,280	6,529	7,462	93,271
TOTAL EXPENSES	$ 2,475,810	$ 1,256,646	$ 1,034,566	$ 555,751	$ 5,322,773	$ 229,048	$ 632,045	$ 6,183,866

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,433,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	194,618
Realized/unrealized gains on investments	(92,342)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Contributions receivable	(948,270)
Prepaid rent	138,579
Prepaid expenses	(27,462)
Other current assets	23,827
Increase (decrease) in:	
Accounts payable	(2,769)
Accrued expenses	(28,584)
Deferred revenue	23,306
Net cash provided by operating activities	714,476
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(849,974)
Proceeds from sale of investments	727,800
Purchases of property and equipment	(188,225)
Net cash used in investing activities	(310,399)
NET CHANGE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH	404,077
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF YEAR	632,848
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	$ 1,036,925
Cash and cash equivalents	$ 1,026,891
Cash restricted to investment in property and equipment	10,034
	$ 1,036,925

(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, who 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 its 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:

<u>Net assets without donor restrictions</u>
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.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the 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, 2021, 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, 2021, all contributions receivable are due within one year. Management considers contributions receivable to be fully collectible at December 31, 2021 and, accordingly, an allowance for doubtful accounts has not been provided.

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 2021.

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, 2021, 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, 2021, the Organization received approximately $69,615 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, 2021:

Volunteer time	$ 1,284,191
Facilities	82,929
Printing and media	18,069
Food and beverage	6,010
Fundraising items	15,347
Equipment rental, uniforms, and supplies	152,414
Total donated materials and services	$ 1,558,960

For the year ended December 31, 2021, $332,749 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, 2021, 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 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2021 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, 2021, there would be no material impact to the financial statements.

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.

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

Subsequent events - The Organization has evaluated subsequent events through November 14, 2022, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of the following at December 31, 2021:

Mutual funds - equity	$ 580,481
Mutual funds - fixed income	1,147,546
Common stock	73,340
Cash and cash equivalents	15,916
MRA Opportunities Fund I A	211,353
MRA Credit Strategies Fund	127,765
Vida Longevity Fund, LP	28,778
Ceres Farms, LLC	180,572
Total investments	$ 2,365,751

Investment income consists of the following for the year ended December 31, 2021:

Dividend and interest income	$ 132,655
Realized/unrealized investment gains	92,342
Investment fees	(10,480)
Investment income	$ 214,517

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, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity:				
U.S. large cap	$ 249,567	$ -	$ -	$ 249,567
U.S. small/mid cap	179,921	-	-	179,921
International large cap	141,954			141,954
Multi-strategy	9,039	-	-	9,039
Common Stock	73,340	-	-	73,340
Mutual fund - fixed income	1,147,546	-	-	1,147,546
Total	$ 1,801,367	$ -	$ -	$ 1,801,367

(3) Fair value measurements (continued)

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, 2021:

	Fair Value	Unfunded Commitments	Frequency	Notice Period
MRA Opportunities Fund I A	$ 211,353	$ -	N/A	5 year lock up
MRA Credit Strategies Fund	127,765	-	N/A	N/A
Vida Longevity Fund, LP	28,778	-	Quarterly	180 days notice
Ceres Farms, LLC	180,572	-	Annually	Written notice by September 30th each year
Total	$ 548,468	$ -		

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.

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, 2021:

Contributions and grants	$ 352,057
Employee retention tax credit	784,478
Special Olympics International	158,654
Total contributions receivable	$ 1,295,189

As of December 31, 2021, the Organization has contributions receivable from one donor totaling approximately 12% 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, 2021:

Cost and donated value:	
Office furniture and equipment	$ 1,297,459
Software and licenses	382,554
Vehicles	583,056
Total cost and donated value	2,263,069
Accumulated depreciation	(1,687,933)
Property and equipment, net	$ 575,136

Depreciation expense charged to operations was $194,618 for the year ended December 31, 2021.

(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,	
2022	$ 17,140
2023	17,140
2024	17,140
2025	11,269
2026	1,349
Total minimum future rental payments	$ 64,038

Rental expense on leases with terms exceeding one month for the year ended December 31, 2021 was $158,110. In the normal course of business, operating leases for office and storage space and 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 could make advances up to $500,000 until May 1, 2021. 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 May 1, 2023. Advances on the line of credit are subject to interest rate of the prime rate plus 1.00% (4.25% at December 31, 2021). The line of credit was not used during the year ended December 31, 2021.

(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) Net assets with donor restrictions

Net assets with donor restrictions consist of cash restricted to investment in property and equipment as of December 31, 2021. Net assets with donor restrictions consisted of cash restricted to investment in property and equipment and time restricted contributions receivable as of December 31, 2020. Releases from restriction represent collections on the contributions receivable from the prior year.

(10) Net assets without donor restrictions

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, 2021. The endowment assets are included within investments on the statement of financial position.

The changes in endowment net assets for the year ended December 31, 2021 were as follows:

Endowment net assets, beginning of year	$ 2,092,742
Investment return:	
Investment income, net	121,513
Net appreciation (realized and unrealized)	75,091
Other changes:	
Withdrawals	-
Endowment net assets, end of year	$ 2,289,346

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 2021, there were no withdrawals from the endowment to support the operating cash flows of the Organization.

(11) 401(k) plan

The Organization has a 401(k) profit sharing plan covering eligible employees. The Organization matches 100% of employees' contributions up to 6% of their total compensation. Contributions made by the Organization were $89,099 for the year ended December 31, 2021.

(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 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. During 2021, the Organization did not cancel any events due to COVID-19.

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 accounted for this agreement in accordance with FASB ASC 958-605 as a conditional contribution in fiscal 2020. The loan was formally forgiven 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. As of December 31, 2021, 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 formally forgiven subsequent to year end on March 2, 2022.

The Organization has made claims for refundable credits under the Employee Retention Tax Credit ("ERTC") program as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and subsequently amended by the Consolidated Appropriations Act, 2021. Under the terms of the program, the Organization must incur qualifying wage or health care costs and have either suspended operations under governmental order or experienced a specific decline in gross receipts. If conditions are not met, any amount of credit received is refundable to the government and the Organization may be subject to fines and penalties.

The Organization accounted for the ERTC as a conditional contribution. For the year ended December 31, 2021, $784,000 has been reported as ERTC revenue, as the Organization has concluded that all conditions for the grant were substantially met as of December 31, 2021. No amounts were recognized in the year ended December 31, 2020.

(13) Risks and uncertainties (continued)

As of the date the financial statements were available to be issued, the Organization's operations have not been significantly negatively impacted in 2021 or subsequent to year end. 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	$ 1,036,925
Contributions receivable	1,295,189
Investments	2,365,751
Total financial assets	4,697,865
Less:	
Cash restricted to investment in property and equipment	(10,034)
Board designated investments	(2,289,346)
Alternative investments with liquidity restrictions	(339,118)
Financial assets available to meet cash needs for general expenditure within one year	$ 2,059,367

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 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.