

# **SPECIAL OLYMPICS TENNESSEE, INC.**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

*As of and for the Years Ended December 31, 2021 and 2020*

*And Report of Independent Auditor*

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**TABLE OF CONTENTS**

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**REPORT OF INDEPENDENT AUDITOR**..... 1-2

**FINANCIAL STATEMENTS**

    Statements of Financial Position ..... 3

    Statements of Activities ..... 4-5

    Statements of Functional Expenses ..... 6-7

    Statements of Cash Flows..... 8

    Notes to the Financial Statements..... 9-19

**SUPPLEMENTARY SCHEDULES**

    Statements of Activities – State Offices and Area Units..... 20-21

## Report of Independent Auditor

To the Board of Directors  
Special Olympics Tennessee, Inc.  
Nashville, Tennessee

### Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Tennessee, Inc. (the "Organization") as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe 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 within one year after the date the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 judgement, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Cherry Bekaert LLP*

Nashville, Tennessee  
June 30, 2022

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

*DECEMBER 31, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,310,740	\$ 900,609
Contribution and grants receivable	227,173	260,494
Employee retention credit receivable	131,722	-
Prepaid expenses	30,959	22,572
Total Current Assets	2,700,594	1,183,675
Investments	3,433,181	3,460,375
Beneficial interest in assets at the Community		
Foundation of Middle Tennessee	131,204	124,208
Property and equipment, net	60,072	54,618
<b>Total Assets</b>	<b>\$ 6,325,051</b>	<b>\$ 4,822,876</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 50,679	\$ 38,163
Accrued expenses	45,895	38,380
Deferred revenue	67,954	-
Total Current Liabilities	164,528	76,543
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	60,072	54,618
Designated by the board as building and capital reserve	1,750,000	1,750,000
Designated by the board as an operating reserve	996,270	680,800
Funds held by the Community Foundation of Middle Tennessee		
designated by the board as an operating reserve	131,204	124,208
Undesignated	3,064,477	1,996,707
Total Without Donor Restrictions	6,002,023	4,606,333
With donor restrictions	158,500	140,000
Total Net Assets	6,160,523	4,746,333
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,325,051</b>	<b>\$ 4,822,876</b>

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, Gains, and Other Support:			
Contributions	\$ 1,762,436	\$ -	\$ 1,762,436
Direct marketing contributions	23,500	-	23,500
Grants	568,715	20,500	589,215
Investment returns, net	608,668	-	608,668
Other income (including in-kind of \$134,228)	137,096	-	137,096
Net assets with donor restrictions released from restrictions	2,000	(2,000)	-
Total Revenues, Gains, and Other Support	<u>3,102,415</u>	<u>18,500</u>	<u>3,120,915</u>
Expenses:			
Program services	1,417,565	-	1,417,565
Supporting Services:			
Management and general	113,093	-	113,093
Fundraising	176,067	-	176,067
Total Expenses	<u>1,706,725</u>	<u>-</u>	<u>1,706,725</u>
Change in net assets	1,395,690	18,500	1,414,190
Net assets, beginning of year	4,606,333	140,000	4,746,333
Net assets, end of year	<u>\$ 6,002,023</u>	<u>\$ 158,500</u>	<u>\$ 6,160,523</u>

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, Gains, and Other Support:			
Contributions	\$ 1,434,428	\$ -	\$ 1,434,428
Direct marketing contributions	5,540	-	5,540
Grants	590,689	-	590,689
Investment returns, net	168,967	-	168,967
Other income (including in-kind of \$91,669)	95,190	-	95,190
Net assets with donor restrictions released from restrictions	70,000	(70,000)	-
Total Revenues, Gains, and Other Support	2,364,814	(70,000)	2,294,814
Expenses:			
Program services	1,443,769	-	1,443,769
Supporting Services:			
Management and general	116,767	-	116,767
Fundraising	187,921	-	187,921
Total Expenses	1,748,457	-	1,748,457
Change in net assets	616,357	(70,000)	546,357
Net assets, beginning of year	3,989,976	210,000	4,199,976
Net assets, end of year	\$ 4,606,333	\$ 140,000	\$ 4,746,333

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2021*

	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 658,338	\$ 21,901	\$ 29,258	\$ 709,497
Payroll taxes and benefits	156,170	5,858	7,826	169,854
Subtotal Salaries, Taxes, and Benefits	814,508	27,759	37,084	879,351
Professional fees	70,179	64,319	18,734	153,232
In-kind services	122,882	4,857	6,489	134,228
Occupancy	98,485	3,893	6,395	108,773
Insurance	52,127	2,060	2,752	56,939
Telecommunication	48,461	1,810	2,771	53,042
Miscellaneous	32,338	2,078	11,623	46,039
Office supplies	19,255	506	24,526	44,287
Conferences, conventions, and meetings	17,473	1,809	23,695	42,977
Dues and subscriptions	38,978	1,539	2,184	42,701
Equipment rental	32,633	593	7,564	40,790
Credit card and other service charges	12,385	505	10,292	23,182
Travel	15,550	328	7,339	23,217
Depreciation	18,787	743	992	20,522
Uniforms and clothing	13,948	-	27	13,975
Awards	2,029	28	5,998	8,055
Registration fees	2,409	95	3,538	6,042
Advertising and promotion	-	-	3,500	3,500
Postage and delivery	3,074	90	245	3,409
Repairs and maintenance	1,665	66	88	1,819
Taxes	371	15	19	405
Printing and publications	28	-	212	240
Subtotal Other Expenses	603,057	85,334	138,983	827,374
Total Expenses	<u>\$ 1,417,565</u>	<u>\$ 113,093</u>	<u>\$ 176,067</u>	<u>\$ 1,706,725</u>

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



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2020*

	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 646,510	\$ 21,921	\$ 31,077	\$ 699,508
Payroll taxes and benefits	165,953	6,187	8,772	180,912
Subtotal Salaries/Benefits	812,463	28,108	39,849	880,420
Professional fees	57,592	67,530	12,587	137,709
In-kind services	83,823	3,245	4,601	91,669
Occupancy	90,075	3,487	5,994	99,556
Insurance	50,279	1,946	2,960	55,185
Telecommunication	31,411	1,099	2,144	34,654
Miscellaneous expense	27,222	1,346	11,659	40,227
Office supplies	99,538	2,205	34,824	136,567
Conferences, conventions, and meetings	14,996	4,617	7,197	26,810
Dues and subscriptions	39,108	1,514	2,370	42,992
Equipment rental	24,166	213	31,823	56,202
Credit card and other service charges	8,083	326	1,155	9,564
Travel	36,312	169	5,256	41,737
Depreciation	20,106	778	1,104	21,988
Uniforms/clothing	24,249	-	529	24,778
Awards	17,763	-	11,671	29,434
Registration fees	316	12	751	1,079
Advertising and promotion	1,350	52	9,385	10,787
Postage and delivery	1,965	5	803	2,773
Repairs and maintenance	742	29	41	812
Taxes	780	30	43	853
Printing and publications	1,430	56	1,175	2,661
Subtotal Other Expenses	631,306	88,659	148,072	868,037
Total Expenses	\$ 1,443,769	\$ 116,767	\$ 187,921	\$ 1,748,457

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,414,190	\$ 546,357
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	20,522	21,988
Net unrealized and realized gain on investments	(440,417)	(63,084)
Net unrealized and realized gain on beneficial interest in assets at Community Foundation of Middle Tennessee	(12,796)	(13,356)
Changes in operating assets and liabilities:		
Contributed support and other receivables	33,321	(208,612)
Employee retention credit receivable	(131,722)	-
Prepaid expenses and other current assets	(8,387)	10,208
Accounts payable	12,516	(57,935)
Accrued expenses	7,515	20,218
Deferred revenue	67,954	-
Net cash flows from operating activities	<u>962,696</u>	<u>255,784</u>
<b>Cash flows from investing activities:</b>		
Distribution from beneficial interest in assets at Community Foundation of Middle Tennessee	5,800	5,700
Purchases of investments	(93,051)	(1,090,290)
Proceeds from sales of investments	560,662	610,092
Purchases of property and equipment	(25,976)	(48,510)
Net cash flows from investing activities	<u>447,435</u>	<u>(523,008)</u>
Change in cash and cash equivalents	1,410,131	(267,224)
Cash and cash equivalents, beginning of year	900,609	1,167,833
Cash and cash equivalents, end of year	<u>\$ 2,310,740</u>	<u>\$ 900,609</u>

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

# **SPECIAL OLYMPICS TENNESSEE, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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### **Note 1—Nature of organization and summary of significant accounting policies**

Special Olympics Tennessee, Inc. (the “Organization”) is a Tennessee nonprofit corporation that provides sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities. These activities are funded through contributions, direct marketing, and special events. The Organization includes the accounts of the state office located in Nashville, Tennessee and approximately 30 area programs located throughout Tennessee.

The Organization provides the following programs:

- Games include competitions and tournaments conducted throughout the year that allow athletes with similar abilities to achieve physical, mental, and spiritual growth through sports. There are 17 different sports offered to these athletes, so they may choose those best suited to their abilities and interests.
- Training allows the learning of functional sports and team building skills and rules, which empower the athletes and enables them to interact with the community. While providing the athletes with opportunities to build muscle and sharpen motor skills, training also builds self-confidence and the development of social skills that will help them live a better life.
- Health programs strive to improve athletes’ well-being and overall sports experience through enhancements of health, wellness, and fitness initiatives. Through partnerships, fitness, and wellness programs, as well as robust Healthy Athletes programming, the Organization is paving the way for inclusive health. The Organization offers an approach that focuses on the whole person with an intellectual and developmental disability and provides integrated healthcare and referrals. Athletes are offered healthcare exams in the following disciplines: health promotion, physical examinations, hearing, vision, and dental care.
- Unified Champion Schools is a sports education program that partners students with and without intellectual disabilities to create a more inclusive environment where students are able to work together, excel athletically and academically regardless of ability.
- Other programs include coaching and officiating certification programs, athlete and community outreach, and the promotion of training, competition, and the Special Olympics mission.

**Basis of Accounting** – The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**Basis of Presentation** – 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.

**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. The Organization has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub-classifications are as follows:

**Undesignated** – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and designated for specific activities by the Board of Directors.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 1—Nature of organization and summary of significant accounting policies (continued)**

*Invested in Property and Equipment* – Represents net assets invested in property and equipment, net of accumulated depreciation.

*Board Designated* – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board of Directors. The Organization maintains three reserves: (1) a reserve for future building and capital needs, (2) a reserve for operational needs, and (3) funds held at the Community Foundation of Middle Tennessee as an operating reserve.

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

*Cash and Cash Equivalents* – For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, money market funds, and highly-liquid debt instruments purchased with an original maturity when purchased of three months or less to be cash equivalents.

*Contributions and Grants Receivable* – Contributions receivable are recognized when an unconditional promise to give is received. Contributions to be received over periods of more than one year are discounted to their net present value based on a credit risk adjusted rate. Amortization of net present value discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Grants receivable are recorded as the related services are provided and billed. An allowance for uncollectible contributions and grants receivable is provided based upon management's judgment, including such factors as the age of the receivable, historical collection experience, type of contribution, and nature of fundraising activity. Contribution and grants receivables are reviewed annually as to their collectability. Based on collection experience and management's review, no allowance for doubtful amounts is considered necessary at December 31, 2021 or 2020.

*Investments* – Investments are reported at fair value. Fair value is determined by reference to exchange or dealer quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in fair value of securities are reflected as investment returns, net in the statements of activities. Investment returns on investments are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulations or time.

*Fair Value of Financial Instruments* – The Organization has estimated the fair values of its financial instruments using available market information and other valuation methodologies in accordance with U.S. GAAP. Accordingly, the estimates presented are not necessarily indicative of the amounts the Organization could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment related to timing of payments and collection of the amounts to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 1—Nature of organization and summary of significant accounting policies (continued)**

The fair value hierarchy is classified in one of the following three levels based on the inputs:

*Level 1* – Financial instruments with unadjusted, quoted prices listed on active market exchanges.

*Level 2* – Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – Financial instruments are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

*Beneficial Interest in Assets* – Beneficial interest in assets at the Community Foundation of Middle Tennessee (the “Foundation”) consists of amounts held and invested by the Foundation under an agency account agreement. The account contains donations approved and directed by the Board of Directors to be made to the Foundation from net assets without donor restrictions in prior years. The Organization has recorded the related asset “beneficial interest in assets at Community Foundation of Middle Tennessee” in the statements of financial position at the fair market value of the fund as determined by the Foundation. Investment income of the fund, net of expenses, and any net realized gains and losses, are included in investment returns, net, in the statements of activities.

*Property and Equipment* – Property and equipment is recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all major classes are as follows:

Equipment and fixtures	5 years
Automobiles	3 to 5 years

*Revenue Recognition* – Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions, non-exchange transactions, may be subject to conditions in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Contributions are recognized when the barrier is satisfied. All unconditional contributions are considered to be available for operations unless specifically restricted by the donor or grantor. Amounts received that are restricted for future periods or restricted by the donor or grantor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction expires or restriction is met, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization receives support from various special events, some of which are conducted by the Organization and its volunteers throughout the state. Such events include Polar Bear Plunge, Music City Blitz, Bowl for the Gold, and various other community events. Special events revenue are reported in contributions in the statements of activities.

Contributions of long-lived assets are reported as contribution revenues without donor restrictions unless specifically restricted by the donor and are reported at fair value. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets without restrictions when the assets are placed in service.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 1—Nature of organization and summary of significant accounting policies (continued)**

Revenue from merchandise sales is recognized at the time of the goods are transferred and is reported in other income in the statements of activities.

*In-Kind Contributions* – The Organization receives various types of in-kind support including contributed facilities, materials, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the statements of activities as in-kind support and expense.

Additionally, the Organization receives a significant amount of contributed time from volunteers that does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

*Advertising* – The cost of advertising is expensed as incurred.

*Functional Expenses* – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Costs are charged directly to the functional area to which they relate when possible. However, most costs have been allocated among program and supporting services based on a specific analysis of personnel and the roles they fulfill. Such allocations are determined by management on an equitable basis.

*Income Taxes* – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made. The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidance related to unrecognized tax benefits. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

*Concentrations of Credit Risk* – Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Cash balances may at times exceed federally insured limits. For the years ended December 31, 2021 and 2020, there was approximately \$790,000 and \$102,000, respectively, of cash and cash equivalent balances in excess of federally insured limits.

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

*Future Pronouncements* – In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization’s year ending December 31, 2022. Management is currently evaluating the impact of this standard on the Organization’s financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 1—Nature of organization and summary of significant accounting policies (continued)**

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, the following will have to be disclosed: (1) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit will disclose a description of the programs or other activities in which those assets were used; (2) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; and (4) a description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition. This standard is effective for the year ending December 31, 2022. Management is currently evaluating the impact of this standard on the Organization's financial statements.

**Note 2—Liquidity and availability of resources**

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,310,740	\$ 900,609
Contribution and grants receivable	227,173	260,494
Employee retention tax credit receivable	131,722	-
Investments	3,433,181	3,460,375
Beneficial interest in assets at Community Foundation of Middle Tennessee	131,204	124,208
Total financial assets	<u>6,234,020</u>	<u>4,745,686</u>
Less amounts not available to be used for general expenditures within one year:		
Board-designated funds	2,877,474	2,555,008
Subject to donor purpose restrictions	158,500	140,000
Financial assets not available to be used within one year	<u>3,035,974</u>	<u>2,695,008</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,198,046</u>	<u>\$ 2,050,678</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of games and competitions, training, and other activities, as well as the conduct of services undertaken to support those activities to be general expenditures. However, the board-designated amounts could be made available, if necessary. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in the Organization's investment fund.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

**Note 3—Contribution and grants receivable**

Contribution and grants receivable consist of the following at December 31:

	<b>2021</b>	<b>2020</b>
Special Olympics International	\$ 158,466	\$ 78,143
Other	68,707	38,020
CARES Act funding	-	144,331
Total contribution and grants receivables	<u>\$ 227,173</u>	<u>\$ 260,494</u>

**Note 4—Investments and fair value**

Investments are recorded at fair value and are composed of the following at December 31:

	<b>2021</b>	<b>2020</b>
Mutual funds	\$ 1,817,508	\$ 1,575,762
Common stocks	1,615,673	1,332,190
Certificate of deposit	-	552,423
Total investments	<u>\$ 3,433,181</u>	<u>\$ 3,460,375</u>

The Organization's investment policy is generally to maintain 15% to 75% of its portfolio in equities, 15% to 75% in fixed income securities, and 0% to 50% in cash and cash equivalents. The Organization's investments are subject to market risks. Such risks may cause various fluctuations in value. Management attempts to manage such risks by maintaining a diversified portfolio of investments.

Investment returns consist of the following for the years ended December 31:

	<b>2021</b>	<b>2020</b>
Interest and dividends	\$ 168,631	\$ 106,224
Unrealized gains (losses), net	435,216	61,934
Realized gains (losses), net	5,201	1,150
Investment fees	(380)	(341)
Investment returns, net	<u>\$ 608,668</u>	<u>\$ 168,967</u>

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's equities are valued at the closing price reported on the active market on which the individual securities are traded. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

**Note 4—Investments and fair value (continued)**

The following table summarizes the valuation of the Organization's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, based on the level of input utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments:				
Mutual funds	<u>\$ 1,817,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,817,508</u>
Common stocks:				
Basic materials	316,139	-	-	316,139
Consumer goods	388,133	-	-	388,133
Services	123,685	-	-	123,685
Healthcare	228,482	-	-	228,482
Technology	162,848	-	-	162,848
Financial	292,016	-	-	292,016
REIT	<u>104,370</u>	<u>-</u>	<u>-</u>	<u>104,370</u>
Total common stocks	<u>1,615,673</u>	<u>-</u>	<u>-</u>	<u>1,615,673</u>
Total investments	<u>\$ 3,433,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,433,181</u>
Beneficial interest in assets at the Community Foundation of Middle Tennessee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,204</u>	<u>\$ 131,204</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 4—Investments and fair value (continued)**

The following table summarizes the valuation of the Organization's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020, based on the level of input utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments:				
Mutual funds	\$ 1,575,762	\$ -	\$ -	\$ 1,575,762
Common stocks:				
Basic materials	258,575	-	-	258,575
Consumer goods	353,261	-	-	353,261
Services	108,063	-	-	108,063
Healthcare	176,938	-	-	176,938
Technology	173,848	-	-	173,848
Financial	181,910	-	-	181,910
REIT	79,595	-	-	79,595
Total common stocks	1,332,190	-	-	1,332,190
Subtotal investments at fair value	2,907,952	-	-	2,907,952
Investments carried at other than fair value:				
Certificate of deposit	-	-	-	552,423
Total investments	\$ 2,907,952	\$ -	\$ -	\$ 3,460,375
Beneficial interest in assets at the Community Foundation of Middle Tennessee	\$ -	\$ -	\$ 124,208	\$ 124,208

The following is a reconciliation of activity for 2021 and 2020 for assets measured at fair value based on significant unobservable information:

	<u>Beneficial Interest in Assets at the Community Foundation of Middle Tennessee</u>
Balance, January 1, 2020	\$ 116,552
Net appreciation in fair value	14,082
Withdrawals	(6,426)
Balance, December 31, 2020	124,208
Net appreciation in fair value	13,635
Withdrawals	(6,639)
Balance, December 31, 2021	\$ 131,204

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 5—Property and equipment, net**

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

	<b>2021</b>	<b>2020</b>
Equipment and fixtures	\$ 241,342	\$ 215,366
Automobiles	36,308	36,308
	<u>277,650</u>	<u>251,674</u>
Less accumulated depreciation	<u>(217,578)</u>	<u>(197,056)</u>
	<u>\$ 60,072</u>	<u>\$ 54,618</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$20,522 and \$21,988, respectively.

**Note 6—Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<b>2021</b>	<b>2020</b>
Flag football program	\$ 17,500	\$ -
Young athletes program	3,000	-
Health screenings	<u>138,000</u>	<u>140,000</u>
Total net assets with donor restrictions	<u>\$ 158,500</u>	<u>\$ 140,000</u>

Net assets with donor restrictions for the years ended December 31, 2021 and 2020, were released from donor restrictions by incurring expense satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<b>2021</b>	<b>2020</b>
Purpose restriction accomplished:		
Health screenings	<u>\$ 2,000</u>	<u>\$ 70,000</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

**Note 7—Affiliated organization**

The Organization is accredited by Special Olympics International, Inc. ("SOI") to conduct Special Olympics activities within Tennessee. Following is a summary of transactions with SOI during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Statements of Financial Position:		
Contributions receivable from SOI National fundraising projects	\$ 106,466	\$ 44,143
Grants receivable from SOI National Unified Champion Sports program	\$ 52,000	\$ 34,000
Deferred revenue related to federal awards passed through SOI	\$ 67,954	\$ -
Statements of Activities:		
SOI cooperative national fundraising project revenue	\$ 277,714	\$ 221,608
Federal awards passed through SOI	\$ 252,697	\$ 228,566
Payments to SOI for accreditation fee	\$ 28,118	\$ 39,367

**Note 8—Direct marketing campaign**

The Organization conducts marketing campaigns through outside vendors, including direct mail and telemarketing to raise funds and to increase public knowledge and awareness of the Organization's mission and activities. Direct mail and telemarketing projects for the years ended December 31, 2021 and 2020 resulted in contributions of \$23,500 and \$5,540, respectively. The Organization's vendor provided services at no cost during the years ended December 31, 2021 and 2020.

**Note 9—CARES Act funding**

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Organization applied for and received a Paycheck Protection Program ("PPP") loan on April 28, 2020, totaling \$152,750. PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of five years with an interest rate of 1%. The Organization received notification that the loan had been forgiven on December 31, 2020 and has reflected the loan as grant revenue for the year ended December 31, 2020.

On January 29, 2021, the Organization received a second PPP loan in the amount of \$167,250. The Organization received notification that the loan had been forgiven on December 8, 2021 and has reflected the loan as grant revenue for the year ended December 31, 2021.

During the year ended December 31, 2020, the Organization was awarded \$191,054 for coronavirus related supplies, technology upgrades, and certain personnel costs on a cost reimbursement basis. Amounts expended under the grant were recorded as grant revenue for the year ended December 31, 2020. At December 31, 2020, \$144,000 is reported as contribution and grants receivables.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 9—CARES Act funding (continued)**

The Employee Retention Tax Credit ("ERC") was established under the CARES Act. The ERC is a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the coronavirus ("COVID-19") outbreak. Under the ERC guidelines, the Organization is eligible to take a credit against the employer's portion of social security taxes withheld on qualified wages. The amount of the credit is limited to employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The ERC is considered a conditional contribution under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The Organization has recorded a receivable and corresponding grant revenue of \$131,722 for the ERC as of and for the year ended December 31, 2021. The receivable is expected to be collected within the next succeeding 12 months.

**Note 10—Supporting services**

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$113,093 and \$116,767 in 2021 and 2020, respectively, which is approximately 4% and 5% of revenues, gains, and other support for those years, respectively. Together, fundraising and management and general expenses represent approximately 13% and 18% of revenues, gains, and other support in 2021 and 2020, respectively.

**Note 11—Employee retirement plan**

The Organization maintains a 401(k) plan for eligible employees. Under the plan, contributions are not required; however, the Organization may contribute an amount, which vests immediately, as determined by the Board of Directors based on each employee's total compensation. Employees may also make pretax contributions to the plan. The Organization did not make any contributions into the plan during 2021 or 2020.

**Note 12—Leases**

During 2020, the Organization entered into operating leases for office space and office equipment. Rent expense under these arrangements totaled approximately \$102,302 and \$94,000 for 2021 and 2020, respectively. Future minimum lease payments required the office space and equipment lease arrangements are as follows:

**Years Ending December 31,**

2022	\$ 104,385
2023	91,060
2024	45,507
	<u>\$ 240,952</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2021 AND 2020*

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**Note 13—Community Foundation of Middle Tennessee**

In prior years, the Organization transferred funds, without donor restrictions, to the Community Foundation of Middle Tennessee (the “Foundation”) for investment management. Under an agency fund agreement, the Foundation pools the funds of the Organization with funds of other not-for-profit entities for investment management purposes. Investment returns, including interest and dividends, and realized and unrealized gains and losses on investments in this pooled investment program are allocated to the participants based upon each participant’s pro-rata percentage of the pooled investment funds.

The Organization has recorded its beneficial interest in assets at the Foundation in the statements of financial position at fair value as determined by the Foundation. Investment income of the fund, net of expenses, and any net realized gains and losses, are included in investment returns, net, in the statements of activities. The Board of Directors of the Organization has designated the fair value and accumulated earnings on these funds as an operating reserve. Annual distributions are utilized for operating purposes.

**Note 14—Risks and Uncertainty**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) a global pandemic, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. As a result of the spread of COVID-19, economic uncertainties have arisen, which may likely negatively impact operating results of the Organization. Other financial impacts could occur though such potential impact is unknown at this time.

**Note 15—Subsequent events**

Management has evaluated subsequent events through June 30, 2022, the date the financial statements were available for issuance. Management has determined that there are no subsequent events that require disclosure.

## **SUPPLEMENTARY SCHEDULES**

**SPECIAL OLYMPICS TENNESSEE, INC.****SUPPLEMENTARY SCHEDULE – STATEMENT OF ACTIVITIES STATE OFFICES AND AREA UNITS***YEAR ENDED DECEMBER 31, 2021*

	<b>State Office</b>		<b>Area Units</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues, Gains, and Other Support:					
Contributions	\$ 1,324,598	\$ -	\$ 437,838	\$ -	\$ 1,762,436
Direct marketing contributions	23,500	-	-	-	23,500
Grants	549,274	20,500	19,441	-	589,215
Investment returns, net (Note 3)	582,758	-	25,910	-	608,668
Other income (including in-kind of \$134,228)	135,071	-	2,025	-	137,096
Net assets with donor restrictions released from restrictions	2,000	(2,000)	-	-	-
Total Revenues, Gains, and Other Support	<u>2,617,201</u>	<u>18,500</u>	<u>485,214</u>	<u>-</u>	<u>3,120,915</u>
Expenses:					
Program services	1,259,060	-	158,505	-	1,417,565
Supporting Services:					
Management and general	67,718	-	45,375	-	113,093
Fundraising	176,067	-	-	-	176,067
Total Expenses	<u>1,502,845</u>	<u>-</u>	<u>203,880</u>	<u>-</u>	<u>1,706,725</u>
Change in Net Assets	<u>\$ 1,114,356</u>	<u>\$ 18,500</u>	<u>\$ 281,334</u>	<u>\$ -</u>	<u>\$ 1,414,190</u>



**SPECIAL OLYMPICS TENNESSEE, INC.****SUPPLEMENTARY SCHEDULE – STATEMENT OF ACTIVITIES STATE OFFICES AND AREA UNITS**

YEAR ENDED DECEMBER 31, 2020

	State Office		Area Units		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains, and Other Support:					
Contributions	\$ 973,411	\$ -	\$ 461,017	\$ -	\$ 1,434,428
Direct marketing contributions	3,040	-	2,500	-	5,540
Grants	575,689	-	15,000	-	590,689
Investment returns, net (Note 3)	148,795	-	20,172	-	168,967
Other income (including in-kind of \$91,669)	91,719	-	3,471	-	95,190
Net assets with donor restrictions released from restrictions	70,000	(70,000)	-	-	-
Total Revenues, Gains, and Other Support	1,862,654	(70,000)	502,160	-	2,294,814
Expenses:					
Program services	1,227,522	-	216,247	-	1,443,769
Supporting Services:					
Management and general	40,409	-	76,358	-	116,767
Fundraising	187,921	-	-	-	187,921
Total Expenses	1,455,852	-	292,605	-	1,748,457
Change in Net Assets	\$ 406,802	\$ (70,000)	\$ 209,555	\$ -	\$ 546,357