

SPECIAL OLYMPICS TENNESSEE, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

And Report of Independent Auditor

SPECIAL OLYMPICS TENNESSEE, INC.
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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. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 the Organization as of December 31, 2022 and 2021, 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Cherry Bekaert LLP

Nashville, Tennessee
August 15, 2023

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,525,020	\$ 2,310,740
Contribution and grants receivable	30,448	227,173
Employee Retention Credit receivable	-	131,722
Prepaid expenses	40,554	30,959
Total Current Assets	1,596,022	2,700,594
Investments	4,328,899	3,433,181
Beneficial interest in assets at the		
Community Foundation of Middle Tennessee	106,467	131,204
Right-of-use assets, net - operating leases	132,214	-
Property and equipment, net	57,096	60,072
Total Assets	\$ 6,220,698	\$ 6,325,051
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 107,410	\$ 50,679
Accrued expenses	53,961	45,895
Deferred grant revenue	228,297	67,954
Operating lease liabilities, current	88,736	-
Finance lease liabilities, current	1,423	-
Total Current Liabilities	479,827	164,528
Operating lease liabilities, net of current portion	45,409	-
Total Liabilities	525,236	164,528
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	55,673	60,072
Designated by the board as building and capital reserve	1,750,000	1,750,000
Designated by the board as an operating reserve	1,189,000	996,270
Funds held by the Community Foundation of Middle Tennessee		
designated by the board as an operating reserve	106,467	131,204
Undesignated	2,594,322	3,064,477
Total Without Donor Restrictions	5,695,462	6,002,023
With Donor Restrictions	-	158,500
Total Net Assets	5,695,462	6,160,523
Total Liabilities and Net Assets	\$ 6,220,698	\$ 6,325,051

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 1,975,548	\$ -	\$ 1,975,548
Grants	493,703	-	493,703
Investment returns, net	(330,072)	-	(330,072)
In-kind contributions	305,180	-	305,180
Other income	39,432	-	39,432
Net assets with donor restrictions released from restrictions	158,500	(158,500)	-
Total Revenues, Gains, and Other Support	2,642,291	(158,500)	2,483,791
Expenses:			
Program services	2,463,686	-	2,463,686
Supporting Services:			
Management and general	96,817	-	96,817
Fundraising	388,349	-	388,349
Total Expenses	2,948,852	-	2,948,852
Change in net assets	(306,561)	(158,500)	(465,061)
Net assets, beginning of year	6,002,023	158,500	6,160,523
Net assets, end of year	\$ 5,695,462	\$ -	\$ 5,695,462

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

	Without Donor Restrictions	With Donor Restrictions	Total
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
In-kind contributions	134,229	-	134,229
Other income	2,867	-	2,867
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	<u>4,606,333</u>	<u>140,000</u>	<u>4,746,333</u>
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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 882,082	\$ 10,662	\$ 35,490	\$ 928,234
Payroll taxes and benefits	217,546	2,932	9,761	230,239
Subtotal Salaries, Taxes, and Benefits	1,099,628	13,594	45,251	1,158,473
In-kind services	262,050	-	43,130	305,180
Professional fees	160,456	73,999	20,925	255,380
Travel	163,844	366	30,567	194,777
Conferences, conventions, and meetings	121,922	2,295	49,808	174,025
Uniforms and clothing	132,111	503	21,664	154,278
Office supplies	73,966	450	60,937	135,353
Occupancy	106,102	1,617	6,848	114,567
Equipment rental	61,552	413	41,049	103,014
Miscellaneous	55,594	377	11,571	67,542
Dues and subscriptions	57,347	874	3,269	61,490
Insurance	51,302	782	2,853	54,937
Telecommunication	47,340	715	3,050	51,105
Awards	14,285	160	14,596	29,041
Depreciation	19,673	300	999	20,972
Registration fees	10,644	5	14,862	25,511
Credit card and other service charges	14,352	215	3,148	17,715
Advertising and promotion	4,224	64	9,721	14,009
Printing and publications	1,496	13	2,695	4,204
Taxes	3,175	48	161	3,384
Postage and delivery	1,759	14	1,201	2,974
Repairs and maintenance	864	13	44	921
Subtotal Other Expenses	1,364,058	83,223	343,098	1,790,379
Total Expenses	<u>\$ 2,463,686</u>	<u>\$ 96,817</u>	<u>\$ 388,349</u>	<u>\$ 2,948,852</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, 2021

	Program Expenses	Management and General	Fundraising	Total
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	6,490	134,229
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 expense	32,338	2,078	11,623	46,039
Office supplies	19,255	506	24,525	44,286
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/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	\$ 1,417,565	\$ 113,093	\$ 176,067	\$ 1,706,725

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (465,061)	\$ 1,414,190
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	20,972	20,522
Net unrealized and realized loss (gain) on investments	476,046	(440,417)
Net unrealized and realized loss (gain) on beneficial interest in assets at Community Foundation of Middle Tennessee	18,186	(12,796)
Amortization of right-of-use assets - operating leases	87,004	-
Changes in operating assets and liabilities:		
Contribution and grants receivable	196,725	33,321
Employee Retention Credit receivable	131,722	(131,722)
Prepaid expenses	(9,595)	(8,387)
Accounts payable	56,731	12,516
Accrued expenses	8,066	7,515
Deferred grant revenue	160,343	67,954
Operating lease liabilities	(85,073)	-
Net cash flows from operating activities	<u>596,066</u>	<u>962,696</u>
Cash flows from investing activities:		
Distribution from beneficial interest in assets at Community Foundation of Middle Tennessee	6,551	5,800
Purchases of investments	(2,827,139)	(93,051)
Proceeds from sales of investments	1,455,375	560,662
Purchases of property and equipment	(10,928)	(25,976)
Net cash flows from investing activities	<u>(1,376,141)</u>	<u>447,435</u>
Cash flows from financing activities:		
Principal payment on finance lease liabilities	(5,645)	-
Net cash flows from financing activities	<u>(5,645)</u>	<u>-</u>
Change in cash and cash equivalents	(785,720)	1,410,131
Cash and cash equivalents, beginning of year	2,310,740	900,609
Cash and cash equivalents, end of year	<u>\$ 1,525,020</u>	<u>\$ 2,310,740</u>
Supplemental cash flows information		
Cash paid during the year for interest	<u>\$ 55</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	<u>\$ 219,218</u>	<u>\$ -</u>
Financing leases	<u>\$ 7,068</u>	<u>\$ -</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, 2022 AND 2021

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 and 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.

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

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.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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, 2022 or 2021.

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.

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.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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.

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.

SPECIAL OLYMPICS TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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.

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

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.

Leases – The Organization leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. For contracts entered into on or after the effective date or at the inception of a contract, the Organization assessed whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Organization obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Organization has the right to direct the use of the asset. The Organization has also elected not to recognize right-of-use ("ROU") assets and lease liabilities for short-term leases that have a term of twelve months or less. The effect of short-term leases would not be material to the ROU assets and lease liabilities.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of the Organization's lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance, property tax, and property insurance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. To determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable. As most of the Organization's leases do not provide an implicit rate, the Organization has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Association has no material obligation for leases signed but not yet commenced as of December 31, 2022. The Association does not have any material sublease activities.

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.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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, 2022 and 2021, there was approximately \$900,129 and \$790,000, 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.

Adoption of Accounting Pronouncements – On January 1, 2022, the Organization adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The most significant change in the new leasing guidance is the requirement to recognize ROU assets and lease liabilities for operating leases on the statement of financial position. The Organization adopted this ASU using the modified retrospective approach. On January 1, 2022, the Organization recognized ROU assets and operating lease liabilities of \$219,218 and property and equipment and finance lease liabilities of \$7,068.

Also on January 1, 2022, the Organization adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as separate line items in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. The adoption of ASU 2020-07 resulted in no material changes to the recognition of contributed nonfinancial assets. See Note 12 for the disclosures of disaggregated contributions of nonfinancial assets.

Recently Issued Accounting Pronouncement – In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended December 31, 2023. The Organization is currently evaluating the effect the adoption of this ASU will have on the financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2—Liquidity and availability of resources

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

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,525,020	\$ 2,310,740
Contribution and grants receivable	30,448	227,173
Employee Retention Tax Credit receivable	-	131,722
Investments	4,328,899	3,433,181
Beneficial interest in assets at		
Community Foundation of Middle Tennessee	106,467	131,204
Total financial assets	<u>5,990,834</u>	<u>6,234,020</u>
Less amounts not available to be used for general expenditures within one year:		
Board-designated funds	3,045,467	2,877,474
Subject to donor purpose restrictions	<u>-</u>	<u>158,500</u>
Financial assets not available to be used within one year	<u>3,045,467</u>	<u>3,035,974</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 2,945,367</u></u>	<u><u>\$ 3,198,046</u></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.

Note 3—Contribution and grants receivable

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

	2022	2021
Special Olympics International	\$ 28,578	\$ 158,466
Other	<u>1,870</u>	<u>68,707</u>
Total contribution and grants receivables	<u><u>\$ 30,448</u></u>	<u><u>\$ 227,173</u></u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 4—Investments and fair value

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

	2022	2021
Mutual funds	\$ 2,645,179	\$ 1,817,508
Common stocks	1,683,720	1,615,673
Total investments	<u>\$ 4,328,899</u>	<u>\$ 3,433,181</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:

	2022	2021
Interest and dividends	\$ 175,069	\$ 168,631
Unrealized gains (losses), net	(637,642)	435,216
Realized gains (losses), net	161,596	5,201
Investment fees	(29,095)	(380)
Investment returns, net	<u>\$ (330,072)</u>	<u>\$ 608,668</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, 2022 AND 2021

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, 2022, 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>
ASSETS				
Investments:				
Mutual funds	<u>\$ 2,645,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,645,179</u>
Common stocks:				
Technology	324,272	-	-	324,272
Industrial	92,501	-	-	92,501
Basic materials	254,302	-	-	254,302
Consumer defensive	43,304	-	-	43,304
Consumer cyclical	42,837	-	-	42,837
Consumer goods	226,427	-	-	226,427
Services	84,066	-	-	84,066
Energy	148,759	-	-	148,759
Communication services	7,767	-	-	7,767
Healthcare	217,376	-	-	217,376
Financial	184,462	-	-	184,462
Real estate	57,647	-	-	57,647
Total common stocks	<u>1,683,720</u>	<u>-</u>	<u>-</u>	<u>1,683,720</u>
Total investments	<u>\$ 4,328,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,328,899</u>
Beneficial interest in assets at the Community Foundation of Middle Tennessee	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,467</u>	<u>\$ 106,467</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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>
ASSETS				
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>

A reconciliation of activity for 2022 and 2021 for assets measured at fair value based on significant unobservable information for the beneficial interest in assets at the Community Foundation of Middle Tennessee is as follows:

Balance, January 1, 2021	\$ 124,208
Net appreciation in fair value	13,635
Withdrawals	<u>(6,639)</u>
Balance, December 31, 2021	131,204
Net depreciation in fair value	(18,186)
Withdrawals	<u>(6,551)</u>
Balance, December 31, 2022	<u>\$ 106,467</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5—Property and equipment, net

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

	2022	2021
Equipment and fixtures	\$ 259,338	\$ 241,342
Automobiles	36,308	36,308
Property and equipment, gross	295,646	277,650
Less accumulated depreciation	(238,550)	(217,578)
Property and equipment, net	<u>\$ 57,096</u>	<u>\$ 60,072</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$20,972 and \$20,522, respectively.

Note 6—Net assets with donor restrictions

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

	2022	2021
Flag football program	\$ -	\$ 17,500
Young athletes program	-	3,000
Health screenings	-	138,000
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ 158,500</u>

Net assets with donor restrictions for the years ended December 31, 2022 and 2021, were released from donor restrictions by incurring expense satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2022	2021
Purpose restriction accomplished:		
Flag football program	\$ 17,500	\$ -
Young athletes program	3,000	-
Health screenings	138,000	2,000
	<u>\$ 158,500</u>	<u>\$ 2,000</u>

Note 7—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, 2022 and 2021 resulted in contributions of \$146 and \$23,500, respectively. The Organization's vendor provided services at no cost during the years ended December 31, 2022 and 2021.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8—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>2022</u>	<u>2021</u>
Statements of Financial Position:		
Contributions receivable from SOI National fundraising projects	\$ -	\$ 106,466
Grants receivable from SOI National Unified Champion Sports program	\$ 28,578	\$ 52,000
Deferred revenue related to federal awards passed through SOI	\$ 228,297	\$ 67,954
Statements of Activities:		
SOI cooperative national fundraising project revenue	\$ 232,189	\$ 277,714
Federal awards passed through SOI	\$ 483,703	\$ 252,697
Payments to SOI for accreditation fee	\$ 39,530	\$ 28,118

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 January 29, 2021, totaling \$167,250. 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 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, 2021. At December 31, 2021, \$144,000 is reported as contribution and grants receivables and were fully collected during the year ended December 31, 2022.

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 \$131,000 for the ERC as of and for the year ended December 31, 2021. The receivable was fully collected during the year ended December 31, 2022.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 10—Supporting services

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$96,817 and \$113,093 in 2022 and 2021, respectively, which is approximately 4% of revenues, gains, and other support for both years. Together, fundraising and management and general expenses represent approximately 22% and 13% of revenues, gains, and other support in 2022 and 2021, 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 made contributions into the plan in the amount of \$30,650 and \$-0- during 2022 and 2021, respectively.

Note 12—In-kind support

In-kind support for the years ended December 31 consisted of the following:

	2022	2021
Facility and audio and video rental	\$ 124,662	\$ 30,000
Marketing and media advertisements	84,703	50,340
Competition and sporting events equipment and supplies	52,685	19,218
Fundraising and special events food and supplies	43,130	31,167
Other	-	3,504
Total in-kind support	<u>\$ 305,180</u>	<u>\$ 134,229</u>

The Organization recognizes these in-kind contributed nonfinancial assets at their estimated fair value on the date of receipt. Contributed nonfinancial assets are generally not sold but are utilized to support the Organization's programmatic work in support of its mission.

The Organization also recognizes contributed services as in-kind support at the estimated fair value on the date of receipt if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. A substantial number of volunteers donate their time to the Organization to provide program services in support locations. These donated services are not reflected in the financial statements because they do not meet the criteria for recognition as contributed services. No contributed nonfinancial assets with donor restrictions were received during the years ended December 31, 2022 and 2021.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 13—Leases

The following is a summary of the carrying values of ROU assets held under operating leases and property and equipment held under finance leases at December 31, 2022:

Operating Leases:

Right-of-use assets	\$ 219,218
Less accumulated amortization	(87,004)
Right-of-use assets, net	<u>\$ 132,214</u>

Finance Leases:

Property and equipment	\$ 7,068
Less accumulated depreciation	(5,654)
Property and equipment net	<u>\$ 1,414</u>

The following operating payments related to operating and finance leases are expected to be paid for each of the following years ending December 31:

	Operating	Finance
2023	\$ 89,635	\$ 1,423
2024	45,507	-
	135,142	1,423
Less effects of discounting	(997)	-
Total	<u>\$ 134,145</u>	<u>\$ 1,423</u>

Required supplemental information relating to the Organization's leases for the year ended December 31, 2022 is as follows:

Lease expense:

Operating leases, included in operating expenses	\$ 88,807
Finance leases, included in operating expenses	5,655
Total Lease Cost	<u>\$ 94,462</u>

Lease term and discount rate:

Weighted average remaining lease term - operating leases	1.5 years
Weighted average remaining lease term - finance leases	0.25 years
Weighted average discount rate - operating leases	1.04%
Weighted average discount rate - finance leases	1.37%

Rent expense under FASB ASC 840 (pre-adoption of ASC 842) for operating leases totaled \$102,302 for the year ended December 31, 2021. The aggregate minimum lease payments under those operating leases as of December 31, 2021 were as follows:

2023	\$ 104,385
2024	91,060
2025	45,507
	<u>\$ 240,952</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 14—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 15—Subsequent events

Management has evaluated subsequent events through August 15, 2023, the date the financial statements were available for issuance. Management has determined there are no subsequent events that require disclosure.