

# Special Olympics, Inc. and Affiliates

Combined Financial Statements and Supplemental  
Combining Schedules as of and for the Years Ended  
December 31, 2018 and 2017,  
and Independent Auditor's Reports

# SPECIAL OLYMPICS, INC. AND AFFILIATES

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## Independent Auditor's Report

To the Board of Directors  
Special Olympics, Inc.

### Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Special Olympics, Inc. and its affiliates (SOI), which comprise the combined statements of financial position as of December 31, 2018 and 2017, the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Combined Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics, Inc. and its affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As disclosed in Note 1 to the combined financial statements, SOI adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary combining schedules on pages 23 to 28 are presented for purposes of additional analysis of the combined financial statements, rather than to present the financial position and changes in net assets of the individual organizations, and are not a required part of the combined 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 combined financial statements. The combining schedules have been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*RSM US LLP*

Washington, D.C.  
June 21, 2019

## SPECIAL OLYMPICS, INC. AND AFFILIATES

### COMBINED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,485,236	\$ 13,718,504
Contributions receivable	11,107,844	4,156,327
Program and other receivables—net	7,537,096	10,327,996
Prepaid expenses	1,793,381	1,562,585
Other assets	<u>825,675</u>	<u>1,001,310</u>
Total current assets	<u>37,749,232</u>	<u>30,766,722</u>
NONCURRENT ASSETS:		
Permanently restricted cash	1,498,584	198,584
Other investments	1,984,134	2,327,190
Economic beneficial interest in Trust	48,330,724	50,305,668
Long-term contributions receivable—net	9,068,877	7,145,002
Fixed assets—net	4,438,174	2,281,261
Other assets	<u>787,893</u>	<u>741,990</u>
Total noncurrent assets	<u>66,108,386</u>	<u>62,999,695</u>
TOTAL	<u>\$ 103,857,618</u>	<u>\$ 93,766,417</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 11,228,490	\$ 7,221,410
Grants and awards payable to affiliates	3,966,253	3,796,709
Deferred revenue and refundable advances	2,918,129	2,168,737
Deferred rent	<u>171,288</u>	<u>139,275</u>
Total current liabilities	<u>18,284,160</u>	<u>13,326,131</u>
NONCURRENT LIABILITIES:		
Long-term deferred rent	<u>270,283</u>	<u>419,452</u>
Total liabilities	<u>18,554,443</u>	<u>13,745,583</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	2,001,557	1,638,542
Designated	<u>50,912,337</u>	<u>52,905,064</u>
Total net assets without donor restrictions	52,913,894	54,543,606
With donor restrictions	<u>32,389,281</u>	<u>25,477,228</u>
Total net assets	<u>85,303,175</u>	<u>80,020,834</u>
TOTAL	<u>\$ 103,857,618</u>	<u>\$ 93,766,417</u>

See notes to combined financial statements.

## SPECIAL OLYMPICS, INC. AND AFFILIATES

### COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Direct mail contributions	\$ 45,592,347	\$ -	\$ 45,592,347
Individual and corporate contributions and sponsorships	32,886,220	37,637,887	70,524,107
Federal grants	20,962,317	-	20,962,317
Nonfederal grants	879,366	-	879,366
Accreditation fees	4,027,184	-	4,027,184
Royalty income	671,519	-	671,519
Appreciation in Trust assets—net (Note 7)	311,084	-	311,084
Other investment loss—net (Note 7)	(489,020)	-	(489,020)
Other income	<u>3,612,133</u>	<u>-</u>	<u>3,612,133</u>
Total revenues, gains and other support	108,453,150	37,637,887	146,091,037
NET ASSETS RELEASED FROM RESTRICTIONS (Note 8):			
Satisfaction of program restrictions	27,837,635	(27,837,635)	-
Expiration of time restrictions	<u>2,888,199</u>	<u>(2,888,199)</u>	<u>-</u>
Total revenues, gains and other support and net assets released from restrictions	<u>139,178,984</u>	<u>6,912,053</u>	<u>146,091,037</u>
EXPENSES:			
Program assistance	80,227,079	-	80,227,079
Public education and communications	30,093,477	-	30,093,477
Sports training and competitions	9,829,763	-	9,829,763
Fundraising	16,407,262	-	16,407,262
Management and general	<u>4,251,115</u>	<u>-</u>	<u>4,251,115</u>
Total expenses	<u>140,808,696</u>	<u>-</u>	<u>140,808,696</u>
CHANGES IN NET ASSETS	(1,629,712)	6,912,053	5,282,341
NET ASSETS—Beginning of year	<u>54,543,606</u>	<u>25,477,228</u>	<u>80,020,834</u>
NET ASSETS—End of year	<u>\$ 52,913,894</u>	<u>\$ 32,389,281</u>	<u>\$ 85,303,175</u>

See notes to combined financial statements.

## SPECIAL OLYMPICS, INC. AND AFFILIATES

### COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Direct mail contributions	\$ 44,634,091	\$ -	\$ 44,634,091
Individual and corporate contributions and sponsorships	44,642,451	24,122,253	68,764,704
Federal grants	15,461,400	-	15,461,400
Nonfederal grants	7,204,454	-	7,204,454
Accreditation fees	3,872,362	-	3,872,362
Royalty income	833,536	-	833,536
Appreciation in Trust assets—net (Note 7)	5,638,156	-	5,638,156
Other investment loss—net (Note 7)	(33,997)	-	(33,997)
Other income	<u>1,977,121</u>	<u>-</u>	<u>1,977,121</u>
Total revenues, gains and other support	124,229,574	24,122,253	148,351,827
NET ASSETS RELEASED FROM RESTRICTIONS (Note 8):			
Satisfaction of program restrictions	7,697,045	(7,697,045)	-
Expiration of time restrictions	<u>1,838,182</u>	<u>(1,838,182)</u>	<u>-</u>
Total revenues, gains and other support and net assets released from restrictions	<u>133,764,801</u>	<u>14,587,026</u>	<u>148,351,827</u>
EXPENSES:			
Program assistance	81,666,651	-	81,666,651
Public education and communications	21,268,956	-	21,268,956
Sports training and competitions	8,155,269	-	8,155,269
Fundraising	14,969,550	-	14,969,550
Management and general	<u>3,604,928</u>	<u>-</u>	<u>3,604,928</u>
Total expenses	<u>129,665,354</u>	<u>-</u>	<u>129,665,354</u>
CHANGES IN NET ASSETS	4,099,447	14,587,026	18,686,473
NET ASSETS—Beginning of year	<u>50,444,159</u>	<u>10,890,202</u>	<u>61,334,361</u>
NET ASSETS—End of year	<u>\$ 54,543,606</u>	<u>\$ 25,477,228</u>	<u>\$ 80,020,834</u>

See notes to combined financial statements.

## SPECIAL OLYMPICS, INC. AND AFFILIATES

### COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Assistance	Public Education and Communications	Sports Training and Competitions	Fundraising	Management and General	Total
SALARIES	\$ 13,410,743	\$ 2,410,409	\$ 1,621,297	\$ 2,471,222	\$ 2,021,426	\$ 21,935,097
BENEFITS	<u>2,233,217</u>	<u>540,878</u>	<u>290,292</u>	<u>563,775</u>	<u>456,385</u>	<u>4,084,547</u>
Total salaries and benefits	<u>15,643,960</u>	<u>2,951,287</u>	<u>1,911,589</u>	<u>3,034,997</u>	<u>2,477,811</u>	<u>26,019,644</u>
CONSULTING AND OTHER	13,869,530	7,135,501	2,893,153	4,459,391	414,586	28,772,161
SUPPLIES	8,574,120	75,800	2,339,775	52,707	35,969	11,078,371
COMMUNICATION	500,767	37,298	36,641	511,243	11,570	1,097,519
POSTAGE AND SHIPPING	312,309	4,787,890	29,326	4,131,777	10,778	9,272,080
RENT (Note 14)	1,135,271	220,158	80,881	146,870	188,659	1,771,839
EQUIPMENT RENT AND REPAIR	265,742	6,561	78,314	4,377	5,423	360,417
TRAVEL, MEETINGS AND CONFERENCES	6,362,875	958,608	1,764,682	491,998	313,674	9,891,837
PRINTING	263,213	3,274,039	28,734	2,566,022	4,661	6,136,669
PROFESSIONAL DEVELOPMENT	90,472	84,306	5,067	94,935	28,143	302,923
DATA PROCESSING	900,540	803,961	65,369	685,605	223,231	2,678,706
DEPRECIATION AND AMORTIZATION	120,586	14,453	4,001	9,642	178,626	327,308
MISCELLANEOUS	<u>285,152</u>	<u>215,578</u>	<u>60,815</u>	<u>217,698</u>	<u>357,984</u>	<u>1,137,227</u>
Subtotal	32,680,577	17,614,153	7,386,758	13,372,265	1,773,304	72,827,057
AWARDS AND GRANTS	<u>31,902,542</u>	<u>9,528,037</u>	<u>531,416</u>	<u>-</u>	<u>-</u>	<u>41,961,995</u>
TOTAL EXPENSES	<u>\$ 80,227,079</u>	<u>\$ 30,093,477</u>	<u>\$ 9,829,763</u>	<u>\$ 16,407,262</u>	<u>\$ 4,251,115</u>	<u>\$ 140,808,696</u>

See notes to combined financial statements.



## SPECIAL OLYMPICS, INC. AND AFFILIATES

### COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Assistance	Public Education and Communications	Sports Training and Competitions	Fundraising	Management and General	Total
SALARIES	\$ 12,808,298	\$ 2,031,578	\$ 1,723,724	\$ 2,000,615	\$ 1,194,258	\$ 19,758,473
BENEFITS	<u>1,480,458</u>	<u>403,097</u>	<u>252,307</u>	<u>397,392</u>	<u>696,904</u>	<u>3,230,158</u>
Total salaries and benefits	<u>14,288,756</u>	<u>2,434,675</u>	<u>1,976,031</u>	<u>2,398,007</u>	<u>1,891,162</u>	<u>22,988,631</u>
CONSULTING AND OTHER	12,701,278	2,261,304	1,829,921	2,522,651	752,984	20,068,138
SUPPLIES	12,400,990	73,176	1,292,152	13,258	55,217	13,834,793
COMMUNICATION	793,636	94,135	64,733	37,239	49,627	1,039,370
POSTAGE AND SHIPPING	491,231	4,096,708	24,508	8,505,391	26,447	13,144,285
RENT (Note 14)	1,120,828	222,998	87,823	192,097	22,011	1,645,757
EQUIPMENT RENT AND REPAIR	224,869	11,213	4,284	(339)	13,355	253,382
TRAVEL, MEETINGS, AND CONFERENCES	5,812,746	539,735	823,822	238,030	233,309	7,647,642
PRINTING	251,647	2,263,515	28,643	5,431	4,882	2,554,118
PROFESSIONAL DEVELOPMENT	82,868	82,673	6,730	40,509	23,168	235,948
DATA PROCESSING	681,123	736,600	565,557	784,063	284,038	3,051,381
DEPRECIATION AND AMORTIZATION	282,433	-	56,059	-	245,667	584,159
MISCELLANEOUS	<u>553,411</u>	<u>171,553</u>	<u>282,239</u>	<u>233,213</u>	<u>3,061</u>	<u>1,243,477</u>
Subtotal	35,397,060	10,553,610	5,066,471	12,571,543	1,713,766	65,302,450
AWARDS AND GRANTS	<u>31,980,835</u>	<u>8,280,671</u>	<u>1,112,767</u>	<u>-</u>	<u>-</u>	<u>41,374,273</u>
TOTAL EXPENSES	<u>\$ 81,666,651</u>	<u>\$ 21,268,956</u>	<u>\$ 8,155,269</u>	<u>\$ 14,969,550</u>	<u>\$ 3,604,928</u>	<u>\$ 129,665,354</u>

See notes to combined financial statements.

## SPECIAL OLYMPICS, INC. AND AFFILIATES

### COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 5,282,341	\$ 18,686,473
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	327,308	584,159
Bad debt expense	147,508	4,114
Discount on long term pledges	311,133	116,170
Loss on disposal of fixed assets	-	277,033
Net unrealized and realized gain on investments and economic beneficial interest in Trust	(116,123)	(5,860,828)
Contributions received for long-term purposes	(1,300,000)	-
(Increase) decrease in assets:		
Contributions receivable	(9,186,525)	(6,758,217)
Program and other receivables	2,643,392	(5,877,036)
Prepaid expenses	(230,796)	(118,620)
Other assets	129,734	(692,498)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	4,007,080	143,579
Grants and awards payable to affiliates	169,544	(1,421,178)
Deferred revenue and refundable advances	749,392	(3,993,913)
Deferred rent	(117,156)	(100,819)
	<u>2,816,832</u>	<u>(5,011,581)</u>
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(2,484,221)	(1,755,440)
Purchases of investments and economic beneficial interest in Trust	(1,782,352)	(385,828)
Proceeds from sale of investments and economic beneficial interest in Trust	<u>2,916,473</u>	<u>2,769,096</u>
	<u>(1,350,100)</u>	<u>627,828</u>
Net cash (used in) provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for long-term purposes	<u>1,300,000</u>	<u>-</u>
	<u>1,300,000</u>	<u>-</u>
Net cash provided by investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,766,732	(4,383,753)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>13,718,504</u>	<u>18,102,257</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 16,485,236</u>	<u>\$ 13,718,504</u>

See notes to combined financial statements.

# SPECIAL OLYMPICS, INC. AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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### 1. ORGANIZATION AND PURPOSE

Special Olympics, Inc. (SOI or Special Olympics), a District of Columbia not-for-profit corporation, was incorporated in 1968. The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness; demonstrate courage; experience joy; and participate in the sharing of gifts, skills, and friendship with their families and other Special Olympics athletes and the community. SOI accomplishes its mission through its approximately 244 independent accredited programs worldwide, plus independent games organizing committees responsible for organizing, financing, and conducting world and regional games. SOI does not have a controlling financial interest in its accredited programs or the games organizing committees, and the accompanying combined financial statements do not include the accounts of these accredited programs and games organizing committees (see Note 5).

On December 25, 1997, the Christmas Records Trust (the Trust) was established as a grantor trust to support the charitable mission of SOI and the Special Olympics movement through the royalty income and accumulated principal earned from the *A Very Special Christmas* albums. The Trust has four trustees, one of whom is an SOI board member. As of December 31, 2018 and 2017, the Trust's assets had a fair market value of \$50,912,337 and \$52,905,064, respectively (see Note 7).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The combined financial statements of SOI are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Principles of Combination**—The accompanying combined financial statements include the accounts of Special Olympics and its affiliated organizations, SO Europe Eurasia Foundation (the Foundation) and Special Olympics Asia Pacific, Ltd. (SOAP Ltd). The Foundation was formed on June 23, 2009, as a tax-exempt organization in the country of Ireland. SOAP Ltd is an organization incorporated under the Singapore Companies Act, Cap. 50 as a company limited by guarantee with no paid-up share capital and domiciled in Singapore. The principal activities of both are to benefit their local communities through the provision of financial assistance to support the Special Olympics mission. SOI controls the board of directors of both organizations and exerts significant influence over their activities. All intercompany accounts and transactions have been eliminated in combination.

**Net Assets**—SOI classifies net assets into two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the organization. Certain amounts have been designated by SOI for specific purposes. All contributions are considered to be available for unrestricted undesignated use, unless specifically designated by the Board of Directors or given with donor restrictions or internally designated by management. Unrestricted designated contributions represent unrestricted contributions that have been designated for a specified purpose by the Board of Directors (see Note 9). Net assets with donor restrictions are contributions with donor-imposed time and/or program restrictions or permanent restrictions. The time and purpose restrictions require that resources be used for specific purposes and/or

in a later period or after a specified date. Net assets with donor restrictions become unrestricted when the time restrictions expire or when the funds are used for their restricted purposes, at which time they are reported in the combined statements of activities as net assets released from restrictions (see Note 9). Net assets with donor restrictions that are permanent in nature, represent endowments to be held in perpetuity (see Note 9).

**Individual and Corporate Contributions and Sponsorships**—SOI records pledges as contributions receivable when there is an unconditional promise to give, supported by evidence of the amount, timing, and nature of the contributions. SOI reports gifts of cash and other assets as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying combined statements of activities as net assets released from restrictions.

SOI reports contributions of goods and services (value in kind) as contribution revenue and program expense (program assistance, public education and communications, and sports training and competitions) upon receipt. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. SOI reports contributions of goods and services as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying combined statements of activities as net assets released from restrictions. Contributed goods and services received were \$19,454,872 and \$22,929,004 for the years ended December 31, 2018 and 2017, respectively.

Donated securities and other non-cash assets are recorded as contributions at their estimated fair value on the date of receipt.

SOI reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations of how long those long-lived assets must be maintained, SOI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Federal Grants**—Revenues from federal grants are recognized when the related expense is incurred.

**Nonfederal Grants**—Revenues from nonfederal (conditional) grants are recognized when the related expense is incurred.

**Accreditation Fees**—Accredited programs (see Note 5) are assessed a fixed percentage of either their operating expenses (in the case of U.S. programs) or their adjusted gross revenues (for non-U.S. programs) as accreditation fees. These fees are recognized in the year to which the fees relate and are reported as accreditation fees in the accompanying combined statements of activities.

**Royalty Income**—SOI enters into licensing and sponsorship agreements with sponsors, whereby it grants the sponsor use of its name, logos, and other trademarks. Where these agreements provide for a guaranteed minimum annual royalty over the term of the agreement, SOI recognizes income as earned. Cash receipts in excess of revenue recognized are deferred to future periods; revenues in excess of cash

receipts are recorded as receivables. Where these agreements do not provide for a guaranteed minimum royalty, income is recognized when received.

**Functional Allocation of Expenses**—The costs of providing the various SOI programs and other activities have been summarized on a functional basis in the accompanying combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on reasonable methodologies such as headcount for occupancy expenses and level of effort for salaries and benefits and various other costs.

**Grants and Awards**—SOI provides unconditional grants to various accredited programs for assistance in achieving SOI's mission. The full amount of grants is expensed and accrued as grants payable upon authorization of payment of the grant by management.

**Cash and Cash Equivalents**—For combined financial statement purposes, SOI considers cash and cash equivalents to include cash in financial institutions and liquid investments with original maturities of three months or less.

**Investments**—Investments, including those held by the Trust, consist of readily marketable securities, which are recorded at fair value, with any unrealized gain (loss) included in other investment income (loss) or net appreciation (depreciation) in Trust assets in the combined statements of activities. Equity securities traded on a national securities exchange are valued at the closing price, fixed-income securities are valued at the last bid price, and the net asset values of mutual funds are based on valuations computed by the National Association of Securities Dealers (see Note 7).

**Concentration of Risk**—Cash and cash equivalents that potentially subject SOI to concentrations of credit risk consist principally of bank accounts and short-term investments. Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Investment accounts are insured by the Securities Investor Protection Corporation (SIPC). Investment balances are insured up to \$500,000, with a limit of \$250,000 for cash. At December 31, 2018 and 2017, SOI had cash and cash equivalents of \$11,706,829 and \$9,277,872, respectively, in excess of FDIC and SIPC insured limits. Additionally, SOI has cash and cash equivalents in the amounts of \$4,332,773 and \$3,707,657, respectively, in foreign bank accounts, some of which may be subject to withdrawal restrictions.

SOI invests in a professionally managed portfolio that primarily contains mutual funds, equity securities and fixed income securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the combined financial statements.

**Receivables**—Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for an allowance for doubtful accounts as of December 31, 2018 and 2017, was \$181,247 and \$303,740, respectively.

**Contributions Receivable**—Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair

value is computed using present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management has determined that contributions receivable are fully collectible, and there was no allowance for doubtful contributions receivable at December 31, 2018 or 2017.

**Fixed Assets**—Fixed assets are stated at cost if acquired by SOI, or at fair value if donated. SOI capitalizes all fixed assets purchased with a cost of \$5,000 or more. Useful lives range from three to five years. The cost of fixed assets, less applicable residual values, is depreciated using the straight-line method. Depreciation begins when the specific asset is ready for normal use. Amortization of leasehold improvements is computed on a straight-line basis over the lesser of the term of the related lease or the estimated useful life of the assets.

**Adopting of recent accounting pronouncement**—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is effective for fiscal years beginning after December 15, 2017. The amendments in this ASU are intended to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and information presented about a not-for-profit's liquidity, financial performance and cash flows. Net asset classifications are reduced from three to two categories: net assets without donor restrictions and net assets with donor restrictions. The nature and amount of net assets with and without donor restrictions are included as footnote disclosures. Additional quantitative and qualitative disclosures are required to communicate information related to SOI's short-term liquidity. The ASU was adopted by SOI in 2018.

**Recent Accounting Pronouncements**—In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of ASU 2018-13 is not expected to have a material impact on the combined financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where SOI is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where SOI is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. SOI is currently evaluating the impact of the adoption of this guidance on its combined financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for SOI beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method. The adoption of ASU 2016-18 is not expected to have a material impact on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. SOI is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. SOI has not yet selected a transition method and is currently evaluating the effect that the standards will have on the combined financial statements.

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

**Tax Status**—SOI has received a favorable determination letter designating it as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Trust is a grantor trust that is a not-for-profit organization and is qualified under the exemption of SOI as the Trust's sponsor organization. The Foundation is exempt from income taxes under the laws of the Country of Ireland. SOAP Ltd. is subject to income tax under the laws of the Country of Singapore, but did not incur any tax in 2018 and 2017 due to carried-forward losses from operations.

GAAP requires management to evaluate tax positions taken by SOI and recognize a tax liability (or asset) if SOI has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by SOI and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements.

**Reclassification**—Certain items in the 2017 information have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

### 3. AVAILABILITY AND LIQUIDITY

The following represents SOI's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 16,485,236
Contributions receivable—net	20,176,721
Program and other receivables—net	7,537,096
Permanently restricted cash	1,498,584
Other investments	1,984,134
Economic beneficial interest in Trust	<u>48,330,724</u>
 Total financial assets	 <u>96,012,495</u>
 Less amounts not available to be used within one year:	
Board designated net assets	(50,912,337)
Net assets with donor restrictions	<u>(32,389,281)</u>
 Financial assets not available to be used within one year	 <u>(83,301,618)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 12,710,877</u>

SOI receives a significant amount of contributions with donor imposed time or purpose restrictions, as well as an increasing amount of restricted gifts to the SOI Endowment Fund that will exist in perpetuity. Income from the Endowment may be used for restricted or unrestricted purposes per each donor's guidelines. In addition, SOI receives substantial contributions without donor restrictions. Accreditation fees collected from affiliated programs, investment income, earnings appropriated from the Endowment and grant distributions from the Christmas Records Trust, contributions without donor restrictions, and contributions with donor restrictions for use in current activities and programs are considered to be available to meet cash needs for general expenditures. General expenditures include assistance to global Special Olympics Programs, sports training and competitions, public education and communications, administrative, and fundraising expenses. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

SOI seeks to operate within a prudent range of financial soundness and stability, maintaining a sufficient level of asset liquidity, and monitoring and maintaining reserves to provide reasonable assurance that long term commitments and obligations related to donor restricted funds and SOI's Endowment Fund will continue to be met. SOI regularly forecasts and monitors cash flow and liquidity to ensure that liquid resources are available to meet its commitments. To fund working capital needs, SOI has one line of credit arrangement as described in Note 12.



#### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2018 and 2017, consist of unconditional promises to give as follows:

	2018		2017
Due in—less than one year	\$ 11,107,844	\$	4,156,327
One to five years	9,496,180		7,261,172
Less discount to present value	(427,303)		(116,170)
Receivable noncurrent—net	9,068,877		7,145,002
Total contributions receivable—net	\$ 20,176,721	\$	11,301,329

In addition, SOI has conditional promises to give of approximately \$43.4 million, \$10 million of which was added in 2018. Future payments are contingent upon SOI meeting certain milestones documented in the pledge agreements. During the years ended December 31, 2018 and 2017, SOI met certain conditions and recognized approximately \$10.3 million and \$11.7 million, respectively. At December 31, 2018 and 2017, approximately \$21.4 million and \$21.7 million in conditional promises to give had not been recorded in the combined financial statements, respectively. At December 31, 2018 and 2017, two donors accounted for 85% and one donor accounted for 72% of the outstanding conditional promises to give, respectively.

#### 5. AFFILIATED ORGANIZATIONS AND RELATED-PARTY TRANSACTIONS

**Accredited Programs and Games Organizing Committees**—SOI biennially accredits organizations as Special Olympics Programs (Programs) at state and national levels for the purpose of conducting Special Olympics activities in their respective territorial jurisdictions. SOI accredits a Program if it meets specific organizational, programmatic, and legal requirements. Accredited Programs are authorized to use the Special Olympics name and logo, raise funds in the name of Special Olympics, receive grant support, and participate in conferences and international sporting events sanctioned by SOI. Currently, there are accredited Programs in 50 U.S. states, the District of Columbia, Puerto Rico, U.S. Virgin Islands and in approximately 170 countries outside the United States. SOI contracts with local games organizing committees to conduct various international and regional Special Olympics games.

During 2018 and 2017, SOI made awards and grants of \$40,236,837 and \$40,455,049, respectively, to accredited Programs, which are allocated to functional expenses in the accompanying combined statements of activities.

**Program and Other Receivables**—Amounts due from related parties and accredited Programs have been included in Program and other receivables at December 31, 2018 and 2017, as follows:

	2018		2017
Accounts receivable from SOI regional operations	\$ 70,221	\$	72,269
Program accreditation fees	363,186		258,443
Grants receivable	3,183,653		1,690,050
Corporate and other receivables	4,101,283		8,610,974
	7,718,343		10,631,736
Allowance for doubtful accounts	(181,247)		(303,740)
Program and other receivables—net	\$ 7,537,096	\$	10,327,996

## 6. FIXED ASSETS

Fixed assets at December 31, 2018 and 2017, consist of the following:

	2018	2017
Furnishings	\$ 587,864	\$ 587,864
Equipment	5,326,030	5,224,805
Leasehold improvements	614,088	614,088
Software development in progress	4,045,929	1,662,935
Total fixed assets	<u>10,573,911</u>	<u>8,089,692</u>
Less accumulated depreciation	(6,135,737)	(5,808,431)
Total fixed assets—net	<u>\$ 4,438,174</u>	<u>\$ 2,281,261</u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, was \$327,308 and \$584,159, respectively.

## 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS

**Fair Value Measurement**—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. SOI applies fair value measurements to certain assets, including SOI's investments and its economic beneficial interest in Trust.

SOI maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, which enables a reader of the combined financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

*Level 1*—Quoted prices (unadjusted) in active markets for identical assets and liabilities.

*Level 2*—Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability.

*Level 3*—Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the financial statements. Fair value standards also allow for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determined fair value using the net asset value (NAV) per share or its equivalent.

The following table presents SOI's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of December 31, 2018.

2018	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income:				
Government	\$ 314,546	\$ 314,546	\$ -	\$ -
Cash and cash equivalents	1,547,348	1,547,348	-	-
Equity:				
Large cap	672,040	672,040	-	-
International	247,836	247,836	-	-
Mid cap	173,408	173,408	-	-
Small cap	143,407	143,407	-	-
Growth	142,767	142,767	-	-
Emerging markets	101,671	101,671	-	-
Real Estate	79,119	79,119	-	-
Commodity	60,576	60,576	-	-
	1,620,824	1,620,824	-	-
Other investment measured at NAV or equivalent (a)	48,330,724	-	-	-
	<u>\$ 51,813,442</u>	<u>\$ 3,482,718</u>	<u>\$ -</u>	<u>\$ -</u>

(a) In accordance with Accounting Standards Codification (ASC) Topic 820-10, an investment measured at fair value using the NAV per share (or its equivalent) partial expedient has not been classified in the fair value amounts presented in this table and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

The following table presents SOI's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of December 31, 2017.

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
<b>2017</b>				
Assets:				
Fixed income:				
Government	\$ 345,702	\$ 345,702	\$ -	\$ -
Corporate	<u>65,473</u>	<u>65,473</u>	<u>-</u>	<u>-</u>
	<u>411,175</u>	<u>411,175</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>259,887</u>	<u>259,887</u>	<u>-</u>	<u>-</u>
Equity:				
Small cap	685,183	685,183	-	-
Commodity	301,688	301,688	-	-
Emerging markets	197,079	197,079	-	-
International	183,976	183,976	-	-
Growth	163,285	163,285	-	-
Real estate	135,556	135,556	-	-
Mid cap	116,670	116,670	-	-
Large cap	<u>71,275</u>	<u>71,275</u>	<u>-</u>	<u>-</u>
	<u>1,854,712</u>	<u>1,854,712</u>	<u>-</u>	<u>-</u>
Other investment measured at NAV or equivalent (a)	<u>50,305,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,831,442</u>	<u>\$ 2,525,774</u>	<u>\$ -</u>	<u>\$ -</u>

(a) In accordance with ASC Topic 820-10, an investment measured at fair value using the NAV per share (or its equivalent) partial expedient has not been classified in the fair value amounts presented in this table and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

The Trust has one alternative investment at December 31, 2018, which calculates the fair value using the NAV per share or its equivalent. The fair value at December 31, 2018 and 2017, was \$48,330,724 and \$50,305,668, respectively. This investment can be redeemed at the end of each calendar year. Redemption of all or a portion of the investment requires a notice submitted by September 1st that precedes the applicable redemption date. As of December 31, 2018 and 2017, the Trust had submitted notice for a redemption of approximately \$1,894,860 and \$1,849,474, respectively. The investment seeks to invest with a long term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy.

Investments at December 31, 2018 and 2017, consist of the following:

	<b>2018</b>	<b>2017</b>
Permanently restricted cash	\$ 1,498,584	\$ 198,584
Other investments	1,984,134	2,327,190
Economic beneficial interest in Trust	48,330,724	50,305,668
Total investments	<u>\$ 51,813,442</u>	<u>\$ 52,831,442</u>

Investment income for the years ended December 31, 2018 and 2017, consists of the following:

	<b>2018</b>	<b>2017</b>
Interest and dividends	\$ 100,497	\$ 117,588
Net unrealized and realized gains (losses) on investments	(194,961)	222,672
Investment management fees	(394,556)	(374,257)
Total investment loss	<u>\$ (489,020)</u>	<u>\$ (33,997)</u>

Net appreciation in Trust assets for the years ended December 31, 2018 and 2017, consists of the following:

	<b>2018</b>	<b>2017</b>
Net unrealized and realized gains on investments	\$ 311,084	\$ 5,638,156
Total net appreciation in Trust assets	<u>\$ 311,084</u>	<u>\$ 5,638,156</u>

## **8. DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS**

Designated net assets without donor restrictions at December 31, 2018 and 2017, consist of the following:

	<b>2018</b>	<b>2017</b>
Christmas Records Trust	\$ 50,912,337	\$ 52,905,064
Total designated net assets without donor restrictions	<u>\$ 50,912,337</u>	<u>\$ 52,905,064</u>

The designated net assets without donor restrictions relate to the Trust. These assets were generated by royalties paid to SOI by a third party for the use of SOI's rights to certain recordings and other intangible assets related to the *A Very Special Christmas* albums. The purpose of the Trust is to fund new SOI initiatives having a direct impact on persons with intellectual disabilities. The grants from the Trust may not be used for day-to-day overhead or general operational expenses of SOI.

## 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are available at December 31, 2018 and 2017, for the following purposes or periods:

	2018	2017
Program restrictions:		
Program assistance	\$ 2,018,667	\$ 10,304,060
Sports training and competitions	5,298,397	4,362,120
Total program restrictions	<u>7,317,064</u>	<u>14,666,180</u>
Time restricted for periods after December 31	23,573,633	10,612,464
Donor-restricted endowment funds	1,498,584	198,584
Total net assets with donor restrictions	<u>\$ 32,389,281</u>	<u>\$ 25,477,228</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2018	2017
Satisfaction of program restrictions:		
Program assistance	\$ 24,696,512	\$ 4,336,337
Sports training and competitions	3,141,123	3,360,708
Total satisfaction of program restrictions	<u>27,837,635</u>	<u>7,697,045</u>
Expiration of time restrictions	2,888,199	1,838,182
Total net assets released from restrictions	<u>\$ 30,725,834</u>	<u>\$ 9,535,227</u>

**Endowment**—Net assets with donor restrictions – Permanent of \$1,498,584 and \$198,584 at December 31, 2018 and 2017, respectively consist of the Special Olympics, Inc. internal Endowment Fund which was established to generate income to finance special projects or unusual expenditures that will enhance the mission of SOI. The investment income earned is without donor restrictions.

On December 12, 2017, the Directors of the Special Olympics Endowment Fund, Inc. passed a resolution to dissolve the Special Olympics Endowment Fund, Inc. The Board further resolved to transfer and distribute all assets of the Fund to the Special Olympics, Inc. internal Endowment Fund. On December 26, 2017, the Department of Consumer and Regulatory Affairs of the District of Columbia authorized the dissolution of Special Olympics Endowment Fund.

SOI's endowment consists of amounts held in money market funds with the objective of preserving the corpus of the endowment fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**—SOI interprets the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) of Washington, D.C., as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, SOI classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by SOI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SOI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SOI and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SOI
- (7) The investment policies of SOI

Endowment net assets with donor restrictions at December 31, 2018 and 2017, is as follows:

	<b>2018</b>	<b>2017</b>
Endowment net assets, beginning of year	\$ 198,584	\$ 198,584
Contributions	1,300,000	-
Endowment net assets, end of year	<u>\$ 1,498,584</u>	<u>\$ 198,584</u>

## **10. ALLOCATION OF JOINT COSTS**

SOI conducts direct mail campaigns in the United States to raise funds; to increase public knowledge and awareness of Special Olympics, its mission, and its activities; and to recruit volunteers. In 2018 and 2017, SOI conducted direct mail activities that included requests for contributions, as well as program components. The cost of conducting those activities in 2018 and 2017 was \$22,464,040 and \$21,036,923, respectively. Costs of \$10,400,851 and \$12,201,415 were charged to fundraising expenses during 2018 and 2017, respectively. Costs of \$12,063,189 and \$8,835,508 were allocated to SOI's public education program during 2018 and 2017, respectively.

## **11. SUPPORTING SERVICES**

Management and general expenses include expenses that are not directly related to specific SOI programs. During 2018 and 2017, management and general expenses were \$4,251,115 and \$3,604,928 respectively. During 2018 and 2017, fundraising expenses for marketing and development and multistate fundraising projects were \$16,407,262 and \$14,969,550, respectively, which represented 11.27% and 10.55%, respectively, of the revenue resulting from fundraising, defined as direct mail contributions, individual and corporate contributions and sponsorships, federal grants, nonfederal grants, accreditation fees, and other income in the combined statements of activities. Management and general expenses represent 2.92% and 2.54% of revenues resulting from fundraising activities, respectively. Together, management and general and fundraising expenses represent approximately 14.19% and 13.09% of revenues from fundraising activities, respectively.

## **12. CREDIT FACILITIES**

SOI has one line of credit arrangement for \$3,000,000 with a domestic bank that provides borrowings bearing interest at the prime rate, less 1%. The resulting rates were 4.50% and 3.50% at December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, Special Olympics had no borrowings against this line of credit arrangement.

### 13. EMPLOYEE BENEFITS

The organization participates in both 403(b) and 401(k) defined contribution retirement plans which are available for the benefit of all full-time employees of the organization. In addition, employees may also take advantage of a tax-deferred annuity plan sponsored by SOI. In accordance with the 401(k) plan agreement, the organization makes contributions to the plan, which are determined based on a percentage of the participating employee's salary and the amount of an employee's elective contributions. SOI has a 403(b) defined contribution pension plan that covers substantially all U.S. employees. Pension expense under both plans was \$808,316 and \$738,477 for the years ended December 31, 2018 and 2017, respectively.

### 14. LEASE COMMITMENT

SOI entered into a sublease agreement for its Washington, D.C., headquarters commencing on November 1, 2004, that was due to expire in February 2016. On September 3, 2014, SOI exercised the option to extend the sublease agreement, commencing February 1, 2016 and expiring in January 2021. On December 14, 2018, SOI entered into a sublease for additional space at its headquarters. The term of this lease will run concurrently with the existing lease and will expire in January 2021. The base rent is inclusive of all charges, such as operating costs, cost-of-living increases, real estate taxes, and basic janitorial services. Rent expense is recognized on a straight-line basis over the life of the lease. The difference between the rent expense and related cash payments is deferred and recognized over the lease term. As of December 31, 2018 and 2017, deferred rent was \$441,571 and \$558,727, respectively.

Rent payments are payable monthly through the end of the lease term. The future minimum lease payments under the SOI's Washington, D.C., headquarters' operating lease are as follows:

<b>Years Ending December 31</b>	
2019	\$ 1,434,645
2020	1,510,416
2021	<u>128,504</u>
Total	<u>\$ 3,073,565</u>

Rent expense for the Washington, D.C., headquarters, and regional office space was \$1,771,839 and \$1,645,757 for the years ended December 31, 2018 and 2017, respectively.

SOI leases office space for various employees throughout the world. The majority of these leases are month to month.

### 15. SUBSEQUENT EVENTS

SOI has evaluated all events or transactions that occurred after December 31, 2018 through June 21, 2019, the date the combined financial statements were available to be issued. During this period, there were no material subsequent events.

\* \* \* \* \*



**SUPPLEMENTAL COMBINING SCHEDULES**

## SPECIAL OLYMPICS, INC. AND AFFILIATES

### STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2018

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
<b>ASSETS</b>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 13,156,222	\$ 593,543	\$ 2,735,471	\$ -	\$ 16,485,236
Contributions receivable	10,284,094	-	823,750	-	11,107,844
Program and other receivables—net	12,604,677	112,049	44,233	(5,223,863)	7,537,096
Prepaid expenses	1,642,555	-	150,826	-	1,793,381
Other assets	<u>825,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>825,675</u>
Total current assets	<u>38,513,223</u>	<u>705,592</u>	<u>3,754,280</u>	<u>(5,223,863)</u>	<u>37,749,232</u>
NONCURRENT ASSETS:					
Permanently restricted cash	1,498,584	-	-	-	1,498,584
Other investments	1,984,134	-	-	-	1,984,134
Net assets of combined entities	273,733	-	-	(273,733)	-
Economic beneficial interest in Trust	48,330,724	-	-	-	48,330,724
Long-term contributions receivable—net	9,068,877	-	-	-	9,068,877
Fixed assets—net	4,438,174	-	-	-	4,438,174
Other assets	<u>787,676</u>	<u>-</u>	<u>217</u>	<u>-</u>	<u>787,893</u>
Total noncurrent assets	<u>66,381,902</u>	<u>-</u>	<u>217</u>	<u>(273,733)</u>	<u>66,108,386</u>
TOTAL	<u>\$ 104,895,125</u>	<u>\$ 705,592</u>	<u>\$ 3,754,497</u>	<u>\$ (5,497,596)</u>	<u>\$ 103,857,618</u>

(Continued)

# SPECIAL OLYMPICS, INC. AND AFFILIATES

## STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION (CONTINUED) AS OF DECEMBER 31, 2018

LIABILITIES AND NET ASSETS	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 10,463,430	\$ 533,316	\$ 231,744	\$ -	\$ 11,228,490
Due to Special Olympics, Inc.	-	158,541	2,483,710	(2,642,251)	-
Due to Christmas Records Trust	2,581,612	-	-	(2,581,612)	-
Grants and awards payable to affiliates	3,966,253	-	-	-	3,966,253
Deferred revenue and refundable advances	2,918,129	-	-	-	2,918,129
Deferred rent	171,288	-	-	-	171,288
	<u>20,100,712</u>	<u>691,857</u>	<u>2,715,454</u>	<u>(5,223,863)</u>	<u>18,284,160</u>
NONCURRENT LIABILITIES:					
Long-term deferred rent	<u>270,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,283</u>
Total liabilities	<u>20,370,995</u>	<u>691,857</u>	<u>2,715,454</u>	<u>(5,223,863)</u>	<u>18,554,443</u>
NET ASSETS:					
Without donor restrictions:					
Undesignated	2,104,652	13,735	156,903	(273,733)	2,001,557
Designated	<u>50,912,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,912,337</u>
Total net assets without donor restrictions	53,016,989	13,735	156,903	(273,733)	52,913,894
With donor restrictions	<u>31,507,141</u>	<u>-</u>	<u>882,140</u>	<u>-</u>	<u>32,389,281</u>
Total net assets	<u>84,524,130</u>	<u>13,735</u>	<u>1,039,043</u>	<u>(273,733)</u>	<u>85,303,175</u>
<b>TOTAL</b>	<u>\$ 104,895,125</u>	<u>\$ 705,592</u>	<u>\$ 3,754,497</u>	<u>\$ (5,497,596)</u>	<u>\$ 103,857,618</u>

# SPECIAL OLYMPICS, INC. AND AFFILIATES

## STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2017

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
<b>ASSETS</b>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 10,944,649	\$ 306,517	\$ 2,467,338	\$ -	\$ 13,718,504
Contributions receivable	3,730,077	-	426,250	-	4,156,327
Program and other receivables—net	14,887,756	871,576	1,143	(5,432,479)	10,327,996
Prepaid expenses	1,475,661	46,378	40,546	-	1,562,585
Other assets	<u>1,001,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001,310</u>
Total current assets	<u>32,039,453</u>	<u>1,224,471</u>	<u>2,935,277</u>	<u>(5,432,479)</u>	<u>30,766,722</u>
NONCURRENT ASSETS:					
Permanently restricted cash	198,584	-	-	-	198,584
Other investments	2,327,190	-	-	-	2,327,190
Net assets of combined entities	273,733	-	-	(273,733)	-
Economic beneficial interest in Trust	50,305,668	-	-	-	50,305,668
Long-term contributions receivable—net	6,321,252	-	823,750	-	7,145,002
Fixed assets—net	2,281,261	-	-	-	2,281,261
Other assets	<u>741,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741,990</u>
Total noncurrent assets	<u>62,449,678</u>	<u>-</u>	<u>823,750</u>	<u>(273,733)</u>	<u>62,999,695</u>
<b>TOTAL</b>	<u>\$ 94,489,131</u>	<u>\$ 1,224,471</u>	<u>\$ 3,759,027</u>	<u>\$ (5,706,212)</u>	<u>\$ 93,766,417</u>

(Continued)

# SPECIAL OLYMPICS, INC. AND AFFILIATES

## STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION (CONTINUED) AS OF DECEMBER 31, 2017

LIABILITIES AND NET ASSETS	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 6,496,552	\$ 528,594	\$ 196,264	\$ -	\$ 7,221,410
Due to Special Olympics, Inc.	-	678,846	2,154,237	(2,833,083)	-
Due to Christmas Records Trust	2,599,396	-	-	(2,599,396)	-
Grants and awards payable to affiliates	3,796,709	-	-	-	3,796,709
Deferred revenue and refundable advances	2,168,736	1	-	-	2,168,737
Deferred rent	<u>139,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,275</u>
Total current liabilities	<u>15,200,668</u>	<u>1,207,441</u>	<u>2,350,501</u>	<u>(5,432,479)</u>	<u>13,326,131</u>
NONCURRENT LIABILITIES:					
Long-term deferred rent	<u>419,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,452</u>
Total liabilities	<u>15,620,120</u>	<u>1,207,441</u>	<u>2,350,501</u>	<u>(5,432,479)</u>	<u>13,745,583</u>
NET ASSETS:					
Without donor restrictions:					
Undesignated	1,736,719	17,030	158,526	(273,733)	1,638,542
Designated	<u>52,905,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,905,064</u>
Total net assets without donor restrictions	54,641,783	17,030	158,526	(273,733)	54,543,606
With donor restrictions	<u>24,227,228</u>	<u>-</u>	<u>1,250,000</u>	<u>-</u>	<u>25,477,228</u>
Total net assets	<u>78,869,011</u>	<u>17,030</u>	<u>1,408,526</u>	<u>(273,733)</u>	<u>80,020,834</u>
TOTAL	<u>\$ 94,489,131</u>	<u>\$ 1,224,471</u>	<u>\$ 3,759,027</u>	<u>\$ (5,706,212)</u>	<u>\$ 93,766,417</u>

# SPECIAL OLYMPICS, INC. AND AFFILIATES

## STATEMENT OF ACTIVITIES—COMBINING SCHEDULE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Direct mail contributions	\$ 45,592,347	\$ -	\$ -	\$ -	\$ 45,592,347
Individual and corporate contributions and sponsorships	67,658,913	821	2,864,373	-	70,524,107
Federal grants	20,962,317	-	-	-	20,962,317
Nonfederal grants	-	879,366	-	-	879,366
Accreditation fees	4,027,184	-	-	-	4,027,184
Royalty income	671,519	-	-	-	671,519
Appreciation in Trust assets—net	311,084	-	-	-	311,084
Other investment income (loss)—net	2,120,203	-	-	(2,609,223)	(489,020)
Other income	<u>3,676,799</u>	<u>175,952</u>	<u>1,163</u>	<u>(241,781)</u>	<u>3,612,133</u>
Total revenues, gains and other support	145,020,366	1,056,139	2,865,536	(2,851,004)	146,091,037
EXPENSES:					
Program assistance	79,609,815	1,059,434	2,408,834	(2,851,004)	80,227,079
Public education and communications	30,093,477	-	-	-	30,093,477
Sports training and competitions	9,829,763	-	-	-	9,829,763
Fundraising	15,581,077	-	826,185	-	16,407,262
Management and general	<u>4,251,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,251,115</u>
Total expenses	<u>139,365,247</u>	<u>1,059,434</u>	<u>3,235,019</u>	<u>(2,851,004)</u>	<u>140,808,696</u>
CHANGES IN NET ASSETS	5,655,119	(3,295)	(369,483)	-	5,282,341
NET ASSETS—Beginning of year	<u>78,869,011</u>	<u>17,030</u>	<u>1,408,526</u>	<u>(273,733)</u>	<u>80,020,834</u>
NET ASSETS—End of year	<u>\$ 84,524,130</u>	<u>\$ 13,735</u>	<u>\$ 1,039,043</u>	<u>\$ (273,733)</u>	<u>\$ 85,303,175</u>

# SPECIAL OLYMPICS, INC. AND AFFILIATES

## STATEMENT OF ACTIVITIES—COMBINING SCHEDULE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Direct mail contributions	\$ 44,634,091	\$ -	\$ -	\$ -	\$ 44,634,091
Individual and corporate contributions and sponsorships	65,476,286	1,550	3,286,868	-	68,764,704
Federal grants	15,461,400	-	-	-	15,461,400
Nonfederal grants	-	7,204,454	-	-	7,204,454
Accreditation fees	3,872,362	-	-	-	3,872,362
Royalty income	833,536	-	-	-	833,536
Appreciation in Trust assets—net	5,638,156	-	-	-	5,638,156
Other investment income—net	3,095,937	-	-	(3,129,934)	(33,997)
Other income	<u>1,785,514</u>	<u>774,082</u>	<u>289,652</u>	<u>(872,127)</u>	<u>1,977,121</u>
Total revenues, gains and other support	140,797,282	7,980,086	3,576,520	(4,002,061)	148,351,827
EXPENSES:					
Program assistance	75,528,825	7,976,511	2,163,376	(4,002,061)	81,666,651
Public education and communications	21,268,956	-	-	-	21,268,956
Sports training and competitions	8,155,269	-	-	-	8,155,269
Fundraising	14,537,098	-	432,452	-	14,969,550
Management and general	<u>3,604,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,604,928</u>
Total expenses	<u>123,095,076</u>	<u>7,976,511</u>	<u>2,595,828</u>	<u>(4,002,061)</u>	<u>129,665,354</u>
CHANGES IN NET ASSETS	17,702,206	3,575	980,692	-	18,686,473
NET ASSETS—Beginning of year	<u>61,166,805</u>	<u>13,455</u>	<u>427,834</u>	<u>(273,733)</u>	<u>61,334,361</u>
NET ASSETS—End of year	<u>\$ 78,869,011</u>	<u>\$ 17,030</u>	<u>\$ 1,408,526</u>	<u>\$ (273,733)</u>	<u>\$ 80,020,834</u>