

Special Olympics, Inc. and Affiliates

Combined Financial Report and
Supplemental Schedules
December 31, 2024

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Independent Auditor's Report

Board of Directors
Special Olympics, Inc.

Report on the Audit of the Financial Statements***Opinion***

We have audited the combined financial statements of Special Olympics, Inc. and Affiliates (SOI), which comprise the combined statements of financial position as of December 31, 2024 and 2023, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SOI as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 SOI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SOI's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SOI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SOI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

RSM US LLP

Washington, D.C.
September 12, 2025

Special Olympics, Inc. and Affiliates

Combined Statements of Financial Position December 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,321,891	\$ 43,101,606
Contributions receivable, current portion	6,713,698	5,948,362
Program and other receivables, less allowance for doubtful accounts 2024—\$177,938; 2023—\$214,440	11,234,069	15,211,198
Prepaid expenses	3,081,485	3,042,672
Other assets	331,207	359,385
Total current assets	58,682,350	67,663,223
Noncurrent assets:		
Investments restricted in perpetuity	10,182,484	8,029,874
Other investments	14,330,553	8,202,356
Economic beneficial interest in Christmas Records Trust	56,795,553	54,429,094
Long-term contributions receivable, net	17,762,100	5,519,899
Operating right-of-use asset, net	5,215,867	6,046,847
Property and equipment, net	1,679,795	1,542,581
Other assets	779,224	761,120
Total noncurrent assets	106,745,576	84,531,771
Total assets	\$ 165,427,926	\$ 152,194,994
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,838,711	\$ 15,828,963
Lease liability, net, current portion	1,126,708	920,001
Grants and awards payable to affiliates	35,938	163,299
Deferred revenue and refundable advances	8,259,936	8,724,598
Total current liabilities	21,261,293	25,636,861
Noncurrent liabilities:		
Lease liability, net	4,402,053	5,376,649
Total noncurrent liabilities	4,402,053	5,376,649
Total liabilities	25,663,346	31,013,510
Net assets:		
Without donor restrictions:		
Undesignated	31,087,934	27,324,637
Designated	60,051,784	57,800,655
Total net assets without donor restrictions	91,139,718	85,125,292
With donor restrictions	48,624,862	36,056,192
Total net assets	139,764,580	121,181,484
Total liabilities and net assets	\$ 165,427,926	\$ 152,194,994

See notes to combined financial statements.

Special Olympics, Inc. and Affiliates

Combined Statement of Activities Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Direct mail contributions	\$ 56,095,841	\$ -	\$ 56,095,841
Individual and corporate contributions and sponsorships	9,151,768	47,437,472	56,589,240
Contributed nonfinancial assets	9,508,047	-	9,508,047
Federal grants	57,301,099	-	57,301,099
Accreditation fees	4,116,139	-	4,116,139
Royalty income	982,114	-	982,114
Appreciation in Christmas Records Trust assets, net (Note 7)	4,302,061	-	4,302,061
Other investment gain, net (Note 7)	2,655,185	-	2,655,185
Other income	3,735,554	-	3,735,554
Total revenues, gains and other support	147,847,808	47,437,472	195,285,280
Net assets released from restrictions (Note 9):			
Satisfaction of program restrictions	26,484,205	(26,484,205)	-
Expiration of time restrictions	8,384,597	(8,384,597)	-
Total revenues, gains and other support and net assets released from restrictions	182,716,610	12,568,670	195,285,280
Expenses:			
Program services:			
Program assistance	90,081,603	-	90,081,603
Public education and communications	52,407,367	-	52,407,367
Sports training and competitions	8,849,845	-	8,849,845
Total program services	151,338,815	-	151,338,815
Supporting services:			
Fundraising	19,335,116	-	19,335,116
Management and general	6,028,253	-	6,028,253
Total supporting services	25,363,369	-	25,363,369
Total expenses	176,702,184	-	176,702,184
Changes in net assets	6,014,426	12,568,670	18,583,096
Net assets:			
Beginning	85,125,292	36,056,192	121,181,484
Ending	\$ 91,139,718	\$ 48,624,862	\$ 139,764,580

See notes to combined financial statements.

Special Olympics, Inc. and Affiliates

Combined Statement of Activities Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Direct mail contributions	\$ 54,485,071	\$ -	\$ 54,485,071
Individual and corporate contributions and sponsorships	9,849,696	29,698,521	39,548,217
Contributed nonfinancial assets	12,293,948	-	12,293,948
Federal grants	47,823,459	-	47,823,459
Accreditation fees	4,051,290	-	4,051,290
Royalty income	892,336	-	892,336
Appreciation in Christmas Records Trust assets, net (Note 7)	3,829,951	-	3,829,951
Other investment gain, net (Note 7)	2,051,474	-	2,051,474
Other income	1,117,959	-	1,117,959
Total revenues, gains and other support	136,395,184	29,698,521	166,093,705
Net assets released from restrictions (Note 9):			
Satisfaction of program restrictions	28,661,912	(28,661,912)	-
Expiration of time restrictions	10,764,514	(10,764,514)	-
Total revenues, gains and other support and net assets released from restrictions	175,821,610	(9,727,905)	166,093,705
Expenses:			
Program services:			
Program assistance	90,336,622	-	90,336,622
Public education and communications	46,693,135	-	46,693,135
Sports training and competitions	9,821,702	-	9,821,702
Total program services	146,851,459	-	146,851,459
Supporting services:			
Fundraising	18,895,302	-	18,895,302
Management and general	7,280,119	-	7,280,119
Total supporting services	26,175,421	-	26,175,421
Total expenses	173,026,880	-	173,026,880
Changes in net assets	2,794,730	(9,727,905)	(6,933,175)
Net assets:			
Beginning	82,330,562	45,784,097	128,114,659
Ending	<u>\$ 85,125,292</u>	<u>\$ 36,056,192</u>	<u>\$ 121,181,484</u>

See notes to combined financial statements.

Special Olympics, Inc. and Affiliates

Combined Statement of Functional Expenses Year Ended December 31, 2024

	Program Services				Supporting Services				Total
	Program Assistance	Public Education and Communications	Sports Training and Competitions	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Salaries	\$ 20,126,874	\$ 4,895,024	\$ 2,651,529	\$ 27,673,427	\$ 3,123,378	\$ 2,985,242	\$ 6,108,620	\$ 33,782,047	
Benefits	3,089,045	1,128,481	564,956	4,782,482	631,651	549,656	1,181,307	5,963,789	
Total salaries and benefits	23,215,919	6,023,505	3,216,485	32,455,909	3,755,029	3,534,898	7,289,927	39,745,836	
Consulting and other	15,870,562	7,494,924	1,067,405	24,432,891	5,366,148	1,246,068	6,612,216	31,045,107	
Postage and shipping	212,381	4,513,676	4,542	4,730,599	4,682,533	7,525	4,690,058	9,420,657	
Printing	139,051	3,990,921	13,037	4,143,009	4,025,907	1,626	4,027,533	8,170,542	
Travel, meetings and conferences	5,506,992	1,033,118	875,529	7,415,639	133,518	129,781	263,299	7,678,938	
Data processing	2,275,572	1,771,464	658,498	4,705,534	689,208	445,337	1,134,545	5,840,079	
Supplies	2,778,619	76,125	52,104	2,906,848	24,570	10,946	35,516	2,942,364	
Rent (Note 10)	1,225,198	388,038	115,437	1,728,673	124,081	218,491	342,572	2,071,245	
Miscellaneous	476,524	322,558	29,302	828,384	370,903	267,066	637,969	1,466,353	
Communication	416,365	48,134	122,941	587,440	137,928	14,350	152,278	739,718	
Professional development	102,726	142,104	6,023	250,853	22,056	25,122	47,178	298,031	
Depreciation and amortization	145,649	-	-	145,649	-	125,460	125,460	271,109	
Equipment rent and repair	240,200	3,594	1,368	245,162	3,235	1,583	4,818	249,980	
	29,389,839	19,784,656	2,946,186	52,120,681	15,580,087	2,493,355	18,073,442	70,194,123	
Awards and grants	37,475,845	26,599,206	2,687,174	66,762,225	-	-	-	66,762,225	
	\$ 90,081,603	\$ 52,407,367	\$ 8,849,845	\$ 151,338,815	\$ 19,335,116	\$ 6,028,253	\$ 25,363,369	\$ 176,702,184	

See notes to combined financial statements.

Special Olympics, Inc. and Affiliates

Combined Statement of Functional Expenses Year Ended December 31, 2023

	Program Services				Supporting Services				Total
	Program Assistance	Public Education and Communications	Sports Training and Competitions	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Salaries	\$ 18,368,593	\$ 4,431,998	\$ 2,297,462	\$ 25,098,053	\$ 2,960,939	\$ 2,618,459	\$ 5,579,398	\$ 30,677,451	
Benefits	2,537,567	1,027,624	452,534	4,017,725	607,500	707,009	1,314,509	5,332,234	
Total salaries and benefits	20,906,160	5,459,622	2,749,996	29,115,778	3,568,439	3,325,468	6,893,907	36,009,685	
Consulting and other	14,229,509	7,407,061	2,766,334	24,402,904	4,658,022	1,698,964	6,356,986	30,759,890	
Postage and shipping	248,625	4,605,422	10,284	4,864,331	4,564,800	12,193	4,576,993	9,441,324	
Printing	93,790	4,130,960	1,644	4,226,394	4,042,274	2,976	4,045,250	8,271,644	
Supplies	5,089,145	39,493	82,035	5,210,673	14,105	14,789	28,894	5,239,567	
Data processing	3,080,968	952,747	537,161	4,570,876	675,686	417,792	1,093,478	5,664,354	
Travel, meetings and conferences	5,090,564	891,711	946,690	6,928,965	248,669	114,553	363,222	7,292,187	
Miscellaneous	2,226,026	308,796	195,600	2,730,422	815,779	1,287,334	2,103,113	4,833,535	
Rent (Note 10)	1,205,781	321,364	122,653	1,649,798	149,472	271,782	421,254	2,071,052	
Depreciation and amortization	1,004,797	-	-	1,004,797	-	93,343	93,343	1,098,140	
Communication	615,872	34,411	25,906	676,189	136,034	11,851	147,885	824,074	
Professional development	123,983	155,493	1,574	281,050	22,022	28,860	50,882	331,932	
Equipment rent and repair	482,119	-	3,839	485,958	-	214	214	486,172	
	33,491,179	18,847,458	4,693,720	57,032,357	15,326,863	3,954,651	19,281,514	76,313,871	
Awards and grants	35,939,283	22,386,055	2,377,986	60,703,324	-	-	-	60,703,324	
	\$ 90,336,622	\$ 46,693,135	\$ 9,821,702	\$ 146,851,459	\$ 18,895,302	\$ 7,280,119	\$ 26,175,421	\$ 173,026,880	

See notes to combined financial statements.

Special Olympics, Inc. and Affiliates

Combined Statements of Cash Flows Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ 18,583,096	\$ (6,933,175)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization expense	271,109	1,098,140
Loss on disposal of property and equipment	4,128	1,783,549
Bad debt expense	(36,525)	843,526
Discount on long-term contributions receivable	1,849,109	408,585
Net unrealized and realized gain on investments and economic beneficial interest in Christmas Records Trust	(5,188,028)	(4,948,296)
Contributions received for long-term purposes	(1,500,000)	-
Changes in assets and liabilities:		
(Increase) decrease:		
Contributions receivable	(14,856,646)	364,124
Program and other receivables	4,013,654	(2,645,296)
Prepaid expenses	(38,813)	172,600
Operating right-of-use asset	830,980	954,225
Other assets	10,074	120,581
Increase (decrease):		
Accounts payable and accrued liabilities	(3,990,252)	2,936,976
Grants and awards payable to affiliates	(127,361)	23,299
Deferred revenue and refundable advances	(464,662)	702,600
Lease liability	(764,134)	(754,009)
Net cash used in operating activities	(1,404,271)	(5,872,571)
Cash flows from investing activities:		
Purchases of property and equipment	(412,451)	(1,356,026)
Purchases of investments and economic beneficial interest in Christmas Records Trust	(8,803,145)	(10,637,245)
Proceeds from sale of investments and economic beneficial interest in Christmas Records Trust	3,343,907	5,451,850
Net cash used in investing activities	(5,871,689)	(6,541,421)
Cash flows from financing activities:		
Contributions received for long-term purposes	1,500,000	-
Principal payments of finance lease	(3,755)	(7,363)
Net cash provided by (used in) financing activities	1,496,245	(7,363)
Net decrease in cash and cash equivalents	(5,779,715)	(12,421,355)
Cash and cash equivalents:		
Beginning	43,101,606	55,522,961
Ending	\$ 37,321,891	\$ 43,101,606

See notes to combined financial statements.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Activities

Special Olympics, Inc. (SOI or Special Olympics), a District of Columbia nonprofit 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 207 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 by SOI 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 three trustees, one of whom is an SOI board member. As of December 31, 2024 and 2023, the Trust's assets had a fair value of \$56,795,553 and \$54,429,094, respectively (see Note 7).

Note 2. Summary of Significant Accounting Policies

Principles of combination: The accompanying combined financial statements include the accounts of Special Olympics and its affiliated organizations, SO Europe Eurasia Foundation (the Foundation), Special Olympics Asia Pacific, Ltd. (SOAP Ltd), Special Olympics Entertainment Corporation (SOEC) and Special Olympics Community Services, Ltd. (SOCS). The Foundation was formed on June 23, 2009, as a tax-exempt organization in the country of Ireland. SOAP Ltd and SOCS are organizations incorporated under the Singapore Companies Act, Cap. 50 as companies limited by guarantee with no paid-up share capital and domiciled in Singapore. The principal activities of these three entities are to benefit their local communities through the provision of financial assistance to support the Special Olympics mission. SOEC was formed February 15, 2019, as a tax-exempt organization incorporated in the state of Delaware for the purpose of managing the production of a film featuring Special Olympics athletes. SOI controls the Board of Directors of all four organizations and exerts significant influence over their activities. All intercompany accounts and transactions have been eliminated in combination.

Basis of presentation: The accompanying combined financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, SOI is required to report information regarding its financial position and activities within two classes of net assets:

Net assets without donor restrictions: Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of SOI. 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 contributions without donor restrictions that have been designated for a specified purpose by the board of directors (see Note 8).

Net assets with donor restrictions: 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.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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).

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 consist of readily marketable securities which are recorded at fair value, with any unrealized gain (loss) included in other investment income (loss) 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 (NAV) of mutual funds are based on valuations computed by the National Association of Securities Dealers (see Note 7).

Beneficial interest in Trust: SOI records its interest in the Trust at fair value, with any unrealized gain (loss) included in net appreciation (depreciation) in Trust assets in the combined statements of activities.

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, 2024 and 2023, SOI had cash and cash equivalents of \$15,326,237 and \$17,425,759, respectively, in excess of FDIC and SIPC insured limits. Additionally, at December 31, 2024 and 2023, SOI has cash and cash equivalents in the amounts of \$4,855,982 and \$6,114,728, respectively, in foreign bank accounts, some of which may be subject to withdrawal restrictions.

SOI invests in a professionally managed portfolio that primarily contains cash equivalents, equity and fixed income mutual funds. 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 and allowance for doubtful accounts: Receivables are carried at original invoice amounts, less an estimate made for credit losses, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by identifying troubled accounts and using historical experience applied to an aging of accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowances for credit losses are recorded in management and general expenses. The allowance for doubtful accounts as of December 31, 2024 and 2023 was \$177,983 and \$214,440, respectively.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 the 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. There was no allowance for uncollectible contributions as of December 31, 2024 and 2023.

Conditional promises to give are recognized when the conditions upon which they depend are substantially met. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable items, stipulations that limit discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement.

Property and equipment: Property and equipment are stated at cost if acquired by SOI, or at fair value if donated. SOI capitalizes all property and equipment purchased with a cost of \$5,000 or more. Useful lives range from three to five years. The cost of property and equipment, 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.

Leases: SOI determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. SOI also considers whether its service arrangements include the right to control the use of an asset.

SOI recognizes most leases on its combined statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the combined statements of activities.

SOI made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, SOI made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

SOI has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate and equipment asset classes. The nonlease components typically represent additional services transferred to SOI, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Individual and corporate contributions and sponsorships: SOI records promises to give 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 nonfinancial assets as contribution revenue and program expense (program assistance, public education and communications and sports training and competitions) upon receipt. Accounting principles generally accepted in the United States of America (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 nonfinancial 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.

Contributed nonfinancial assets included in the combined statements of activities for the years ended December 31, 2024 and 2023, are comprised of the following:

	2024	2023
Medical supplies	\$ 1,461,488	\$ 3,051,500
Marketing, digital and content creation	705,528	1,114,200
Software and licensing	47,007	630,522
Volunteer clinicians	6,990,332	5,783,141
Global clinical advisors	3,723	11,059
Training and consulting	5,000	136,500
Food products	84,593	502,078
Games staff and technical support	-	956,330
Other	210,376	108,618
Total contributed nonfinancial assets	<u>\$ 9,508,047</u>	<u>\$ 12,293,948</u>

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value techniques: Global clinical advisors are valued based on contracted rates, and volunteer clinicians are valued based on market rates of service providers. The value of donated goods is estimated based on the wholesale value that would be received selling similar items in the local market. The value of donated services is based on current rates of similar services.

Donor restrictions and use: None of the contributed nonfinancial assets are restricted in use. SOI does not sell contributed goods and services. All contributed nonfinancial assets are used in programmatic activities. Marketing, digital and content creation services are also used in fundraising activities, and software and licensing and training and consulting services are also used in management and general activities.

Federal and nonfederal grants: SOI's federal and nonfederal grants are considered conditional, and so referred to as conditional grants. Revenues from federal and nonfederal grants are recognized when the related expenses allowable under the grant are incurred, since such grants can be terminated by the grantor or refunding can be required under certain circumstances coupled with other performance and/or control barriers.

Unconditional contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and barriers. Conditional contributions are recognized into revenue when conditions are satisfied and follow the above policies for unconditional contributions. Conditional contributions are recognized to net assets without donor restrictions when any restrictions had been satisfied at the time of recognition. Conditional contributions received in advance of satisfying conditions are recorded to deferred revenue.

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. These revenues are considered to be recognized over time.

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 these revenues over time 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 at a point in time.

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.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 (IRC) 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. SOEC 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 Type 1 supporting organization under Sections 509(a)(3). SOI and SOEC have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The Foundation is exempt from income taxes under the laws of the country of Ireland. SOCS is subject to income tax under the laws of the country of Singapore but did not incur any tax in 2024 and 2023, 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, 2024 and 2023, 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.

Subsequent events: SOI has evaluated subsequent events through September 12, 2025, the date on which the combined financial statements were available to be issued.

Subsequent to year-end, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the policies covered by the EOs. During the year ended December 31, 2024, SOI recognized federal financial assistance totaling approximately \$57 million, and at December 31, 2024 has outstanding federal receivables of approximately \$7.7 million. SOI has not experienced any issues with the collectability of the receivables as a result of the EOs. As of the date of this report, the full impact of President Trump's EOs on SOI's financial position and results of operations is uncertain. Management is actively monitoring the situation and assessing the potential effects on SOI's combined financial statements.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 3. Availability and Liquidity of Financial Assets

The following represents SOI's financial assets at December 31, 2024 and 2023:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 37,321,891	\$ 43,101,606
Contributions receivable, net	24,475,798	11,468,261
Program and other receivables, net	11,234,069	15,211,198
Investments restricted in perpetuity	10,182,484	8,029,874
Other investments	14,330,553	8,202,356
Economic beneficial interest in Trust	56,795,553	54,429,094
Total financial assets	154,340,348	140,442,389
Less amounts not available to be used within one year:		
Board-designated net assets	(60,051,784)	(57,800,655)
Net assets with donor restrictions	(48,624,862)	(36,056,192)
Financial assets not available to be used within one year	(108,676,646)	(93,856,847)
Financial assets available to meet general expenditures within one year	\$ 45,663,702	\$ 46,585,542

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 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 (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.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 4. Contributions Receivable

Contributions receivable was discounted using the 13 week treasury bill rate as of December 31, 2024 of 4.34%. Contributions receivable at December 31, 2024 and 2023, consist of unconditional promises to give as follows:

	2024	2023
Due in less than one year	\$ 6,713,698	\$ 5,948,362
One to five years	20,169,829	6,078,519
Less discount to present value	(2,407,729)	(558,620)
Receivable noncurrent, net	17,762,100	5,519,899
Total contributions receivable, net	\$ 24,475,798	\$ 11,468,261

In addition, SOI has conditional contributions of approximately \$127.3 million, \$56.1 million of which was added in 2024. Future payments are contingent upon SOI meeting certain milestones documented in the donor agreements. During the years ended December 31, 2024 and 2023, SOI met certain conditions and recognized approximately \$77.5 million and \$59.0 million, respectively. At December 31, 2024 and 2023, approximately \$55.7 million and \$73.5 million, respectively, in conditional contributions had not been recorded in the combined financial statements. At December 31, 2024 and 2023, three donors accounted for 94% and 79%, respectively, of the outstanding conditional contributions.

Note 5. Affiliated Organizations and Related-Party Transactions

Accredited programs and games organizing committees: SOI biennially accredits organizations as 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 and in approximately 157 countries outside the United States. SOI contracts with local games organizing committees to conduct various international and regional Special Olympics games.

During 2024 and 2023, SOI made awards and grants of \$64,485,896 and \$57,266,198, 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, 2024 and 2023, as follows:

	2024	2023
Accounts receivable from SOI regional operations	\$ 44,404	\$ 38,404
Program accreditation fees	135,395	91,145
Grants receivable	7,717,260	7,060,208
Corporate and other receivables	3,514,948	8,235,881
	11,412,007	15,425,638
Allowance for doubtful accounts	(177,938)	(214,440)
Program and other receivables, net	\$ 11,234,069	\$ 15,211,198

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 6. Property and Equipment

Property and equipment at December 31, 2024 and 2023, consist of the following:

	2024	2023
Furnishings	\$ 825,683	\$ 910,464
Equipment and software	6,184,687	6,007,410
Leasehold improvements	417,654	332,873
Software development in progress	1,489,186	1,309,459
Total property and equipment	8,917,210	8,560,206
Less accumulated depreciation and amortization	(7,237,415)	(7,017,625)
Total property and equipment, net	<u>\$ 1,679,795</u>	<u>\$ 1,542,581</u>

Note 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 combined 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 NAV per share or its equivalent.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 7. Investments and Fair Value Measurements (Continued)

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, 2024:

	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:				
Mutual funds	\$ 16,033,298	\$ 16,033,298	\$ -	\$ -
Cash and cash equivalents	358,627	358,627	-	-
Investments in liquidation	-	-	-	-
	<u>358,627</u>	<u>358,627</u>	<u>-</u>	<u>-</u>
Equity:				
Large cap	2,277,675	2,277,675	-	-
International	1,352,258	1,352,258	-	-
Mid cap	1,700,008	1,700,008	-	-
Small cap	1,011,404	1,011,404	-	-
Large blend	825,749	825,749	-	-
Growth	478,545	478,545	-	-
Emerging markets	435,298	435,298	-	-
Real estate	40,175	40,175	-	-
	<u>8,121,112</u>	<u>8,121,112</u>	<u>-</u>	<u>-</u>
Beneficial interest	56,795,553	-	-	56,795,553
	<u>\$ 81,308,590</u>	<u>\$ 24,513,037</u>	<u>\$ -</u>	<u>\$ 56,795,553</u>

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, 2023:

	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:				
Mutual funds	\$ 9,563,642	\$ 9,563,642	\$ -	\$ -
Cash and cash equivalents	262,961	262,961	-	-
Investments in liquidation	-	-	-	-
	<u>262,961</u>	<u>262,961</u>	<u>-</u>	<u>-</u>
Equity:				
Large cap	1,861,584	1,861,584	-	-
International	1,067,757	1,067,757	-	-
Mid cap	1,286,549	1,286,549	-	-
Small cap	807,416	807,416	-	-
Large blend	628,106	628,106	-	-
Growth	335,023	335,023	-	-
Emerging markets	317,494	317,494	-	-
Real estate	101,698	101,698	-	-
	<u>6,405,627</u>	<u>6,405,627</u>	<u>-</u>	<u>-</u>
Beneficial interest	54,429,094	-	-	54,429,094
	<u>\$ 70,661,324</u>	<u>\$ 16,232,230</u>	<u>\$ -</u>	<u>\$ 54,429,094</u>

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 7. Investments and Fair Value Measurements (Continued)

During the years ended December 31, 2024 and 2023, the Trust made no purchases, sales or transfers of Level 3 investments.

The Trust has two alternative investments at December 31, 2024 and 2023, which each calculates the fair value using the NAV per share or its equivalent. The fair value of the alternative investments at December 31, 2024 and 2023, was \$31,334,055 and \$31,962,421, respectively. These investments can be redeemed at the end of each calendar year. Redemption of all or a portion of the investments requires a notice submitted by September 1 that precedes the applicable redemption date. As of December 31, 2024 and 2023, the Trust had submitted notice for a redemption of \$1,948,486 and \$2,671,729, respectively. The investments 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.

The Trust also has investments in Level 1 securities, which are reported at fair value using quoted prices (unadjusted) in active markets for identical assets and liabilities. The fair value of these investments at December 31, 2024 and 2023, was \$25,461,498 and \$22,466,673, respectively.

Fair value assets at December 31, 2024 and 2023, consist of the following:

	2024	2023
Investments restricted in perpetuity	\$ 10,182,484	\$ 8,029,874
Other investments	14,330,553	8,202,356
Total investments	24,513,037	16,232,230
Economic beneficial interest in Trust	56,795,553	54,429,094
Total fair value assets	<u>\$ 81,308,590</u>	<u>\$ 70,661,324</u>

Investment income for the years ended December 31, 2024 and 2023, consists of the following:

	2024	2023
Interest and dividends	\$ 1,851,515	\$ 1,012,293
Net unrealized and realized gains on investments	885,967	1,118,345
Investment management fees	(82,297)	(79,164)
Total investment income, net	<u>\$ 2,655,185</u>	<u>\$ 2,051,474</u>

Net appreciation in Trust assets for the years ended December 31, 2024 and 2023, consists of the following:

	2024	2023
Net unrealized and realized gains on beneficial interest in Trust	\$ 4,302,061	\$ 3,829,951
Total net appreciation in Trust assets	<u>\$ 4,302,061</u>	<u>\$ 3,829,951</u>

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 8. Designated Net Assets Without Donor Restrictions

Designated net assets without donor restrictions at December 31, 2024 and 2023, consist of the following:

	2024	2023
Trust	\$ 59,622,092	\$ 57,344,047
Board-designated emergency relief funding	429,692	456,608
Total designated net assets without donor restrictions	<u>\$ 60,051,784</u>	<u>\$ 57,800,655</u>

The majority of 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. In 2021, SOI's Board of Directors approved designating \$500,000 toward the newly established Program Emergency Relief Fund (PERF) to assist SOI's accredited programs with the impacts of the coronavirus pandemic. Accredited programs may apply for financial assistance from the PERF beginning in 2022. The funds are to be used to reengage and recruit athletes, coaches and volunteers in the wake of the pandemic.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restriction are available at December 31, 2024 and 2023, for the following purposes or periods:

	2024	2023
Program restrictions:		
Program assistance	\$ 6,530,207	\$ 7,184,154
Sports training and competitions	7,241,865	7,663,683
Public education and communications	1,146,163	1,092,662
Total program restrictions	<u>14,918,235</u>	<u>15,940,499</u>
Time restricted for periods after December 31	23,580,263	12,128,873
Donor-restricted endowment funds	10,126,364	7,986,820
Total net assets with donor restrictions	<u>\$ 48,624,862</u>	<u>\$ 36,056,192</u>

Net assets were released from donor restrictions during the years ended December 31, 2024 and 2023, by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2024	2023
Satisfaction of program restrictions:		
Program assistance	\$ 17,874,262	\$ 22,749,530
Sports training and competitions	8,608,818	6,187,214
Public education and communications	1,125	(274,832)
Total satisfaction of program restrictions	<u>26,484,205</u>	<u>28,661,912</u>
Expiration of time restrictions	8,384,597	10,764,514
Total net assets released from restrictions	<u>\$ 34,868,802</u>	<u>\$ 39,426,426</u>

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

Endowment: Net assets with donor restrictions, in perpetuity, of \$10,182,484 and \$8,029,874 at December 31, 2024 and 2023, respectively, consists of the Special Olympics, Inc. Internal Endowment Fund and the Global Unified Champion Schools Fund (established June 25, 2019). The Internal Endowment Fund 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. The Global Unified Champion Schools Fund was established as part of a multi-year commitment, with 30% of that commitment going toward the endowment fund. The first \$2,000,000 was contributed to the endowment in 2019. The investment income earned must be used in support of the Special Olympics Global Center for Inclusion in Education (to be created by the donation and located in Abu Dhabi, United Arab Emirates and Unified Champion Schools around the world per donor-imposed restrictions).

SOI's endowment consists of amounts held in cash equivalents, equity and fixed income mutual 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 the District of Columbia 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.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

The long-term return objective of the endowment fund is to preserve principal, while achieving a reasonable total rate of return that is sufficient to meet distribution requirements as defined in SOI's Endowed Funds Policy, and to provide for real growth in financial assets net of inflation and all expenses. The overall investment objective is to achieve a long-term annual rate of return that is at least 4.5% greater than the rate of inflation as measured by the U.S. Consumer Price Index. The portfolio will target a 60% equities and 40% fixed income allocation. Investments may be made across the full range of equity funds and fixed income investments defined under asset allocation definitions of the policy.

The agreement between SOI and the donor governs expenditures from endowment funds and, in the case of both the Internal Endowment Fund and the Global Unified Champion Schools Fund, the spending is based on positive returns and appreciation of the funds maintaining the corpus of the funds.

Endowment net assets with donor restrictions at December 31, 2024 and 2023, is as follows:

	2024	2023
Endowment net assets, beginning of year	\$ 7,986,820	\$ 7,488,317
Contributions	1,500,000	-
Investment return (loss), net of fees	639,544	498,503
Endowment net assets, end of year	<u>\$ 10,126,364</u>	<u>\$ 7,986,820</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. Deficiencies of this nature are reported as net assets without donor restrictions. At December 31, 2024 and 2023, SOI had no funds with deficiencies.

Note 10. Leases

SOI leases real estate, including office space and equipment under operating lease agreements that have initial terms ranging from one to eight years. Some leases include one or more options to renew, generally at SOI's sole discretion, with renewal terms that can extend the lease term indefinitely. In addition, certain leases contain termination options where the rights to terminate are held by either SOI, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that SOI will exercise that option. SOI's operating leases generally do not contain any material restrictive covenants or residual value guarantees. SOI also leases equipment under finance lease agreements with terms of five years and implied interest rate of 1.04%. SOI's finance leases do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 10. Leases (Continued)

The components of lease expense are as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease cost	\$ 1,708,978	\$ 1,643,281
Finance lease cost—amortization of right-of-use assets	14,562	14,561
Finance lease cost—interest on lease liabilities	134	262
Total lease cost	<u>\$ 1,723,674</u>	<u>\$ 1,658,104</u>

Supplemental cash flow information related to leases is as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 1,707,730	\$ 648,955
Operating cash outflows—payments on finance leases	134	262
Financing cash outflows—payments on finance leases	14,562	14,561
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	124,930	12,678

Supplemental combined statements of financial position information related to leases is as follows as of December 31, 2024 and 2023:

	2024	2023
Operating leases:		
Operating lease ROU assets	<u>\$ 5,215,867</u>	<u>\$ 6,046,847</u>
Operating lease liabilities, current	\$ 1,126,708	\$ 912,569
Operating lease liabilities, noncurrent	4,402,053	5,362,156
Total operating lease liabilities	<u>\$ 5,528,761</u>	<u>\$ 6,274,725</u>
Finance leases:		
Store fixtures and equipment	\$ 43,685	\$ 43,685
Accumulated depreciation	(43,685)	(29,123)
Finance lease ROU assets, net	<u>\$ -</u>	<u>\$ 14,562</u>
Current maturities of finance lease liabilities	\$ 3,420	\$ 7,432
Finance lease liabilities, noncurrent	-	14,493
Total finance lease liabilities	<u>\$ 3,420</u>	<u>\$ 21,925</u>
Weighted-average remaining lease term:		
Operating leases	4.10 years	4.77 years
Finance leases	0.17 years	1.17 years
Weighted-average discount rate:		
Operating leases	3.74%	3.61%
Finance leases	1.04%	1.04%

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 10. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the combined statement of financial position, are as follows as of December 31, 2024:

	Operating Leases	Finance Leases
Years ending December 31:		
2025	\$ 1,685,067	\$ 3,420
2026	1,527,901	-
2027	1,551,889	-
2028	1,612,606	-
2029	91,835	-
2030	94,590	-
2031	56,131	-
Total lease payments	6,620,019	3,420
Less imputed interest	(1,091,258)	-
Total present value of lease liabilities	<u>\$ 5,528,761</u>	<u>\$ 3,420</u>

Note 11. 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 2024 and 2023, SOI conducted direct mail activities that included requests for contributions, as well as program components. The cost of conducting those activities in 2024 and 2023 was \$28,368,272 and \$28,087,236, respectively. Costs of \$14,445,124 and \$13,980,798 were charged to fundraising expenses during 2024 and 2023, respectively. Costs of \$13,923,148 and \$14,106,438 were allocated to SOI's public education program during 2024 and 2023, respectively.

Note 12. Supporting Services

Management and general expenses include expenses that are not directly related to specific SOI programs. During 2024 and 2023, management and general expenses were \$5,761,542 and \$7,280,119, respectively. During 2024 and 2023, fundraising expenses for marketing and development and multistate fundraising projects were \$19,368,907 and \$18,895,302, respectively, which represented 10.34% and 11.86%, respectively, of the revenue resulting from fundraising, defined as direct mail contributions, individual and corporate contributions and sponsorships, contributed nonfinancial assets, federal grants, nonfederal grants, accreditation fees and other income in the combined statements of activities. Management and general expenses represent 3.08% and 4.57%, respectively, of revenues resulting from fundraising activities. Together, management and general and fundraising expenses represent approximately 13.42% and 16.43%, respectively, of revenues from fundraising activities.

Special Olympics, Inc. and Affiliates

Notes to Combined Financial Statements

Note 13. Employee Benefits

SOI participates in both 403(b) and 401(k) defined contribution retirement plans which are available for the benefit of all full-time employees of SOI. In addition, employees may also take advantage of a tax-deferred annuity plan sponsored by SOI. In accordance with the 401(k) plan agreement, SOI 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 retirement plan that covers substantially all U.S. employees. Total expense under both plans was \$931,022 and \$852,521 for the years ended December 31, 2024 and 2023, respectively.

Note 14. Commitments and Contingencies

Federal awards: SOI participates in a number of federal grant programs which are subject to financial and compliance audits. Accordingly, SOI's compliance with applicable grant requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Legal: In the normal course of business, SOI may be involved in various claims and legal actions. Management believes the outcome of such legal actions will not have a significant adverse effect on SOI's financial position, results of operations or cash flows.

Supplemental Information

Special Olympics, Inc. and Affiliates

Combining Statement of Financial Position December 31, 2024

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Community Services, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 32,372,166	\$ 581,510	\$ 3,222,052	\$ -	\$ 1,146,163	\$ -	\$ 37,321,891
Contributions receivable	6,713,698	-	-	-	-	-	6,713,698
Program and other receivables, net	16,484,389	83,746	57,863	-	-	(5,391,929)	11,234,069
Prepaid expenses	3,070,841	-	10,644	-	-	-	3,081,485
Other assets	331,207	-	-	-	-	-	331,207
Total current assets	58,972,301	665,256	3,290,559	-	1,146,163	(5,391,929)	58,682,350
Noncurrent assets:							
Permanently restricted investments	10,182,484	-	-	-	-	-	10,182,484
Other investments	14,330,553	-	-	-	-	-	14,330,553
Net assets of combined entities	273,733	-	-	-	-	(273,733)	-
Economic beneficial interest in Christmas Records Trust	56,795,553	-	-	-	-	-	56,795,553
Long-term contributions receivable, net	17,762,100	-	-	-	-	-	17,762,100
Operating right-of-use asset, net	5,215,867	-	-	-	-	-	5,215,867
Property and equipment, net	1,673,706	-	6,089	-	-	-	1,679,795
Other assets	779,224	-	-	-	-	-	779,224
Total noncurrent assets	107,013,220	-	6,089	-	-	(273,733)	106,745,576
Total assets	\$ 165,985,521	\$ 665,256	\$ 3,296,648	\$ -	\$ 1,146,163	\$ (5,665,662)	\$ 165,427,926
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 11,604,903	\$ 76,493	\$ 145,657	\$ 3,000	\$ -	\$ -	\$ 11,830,053
Lease liability, net	1,126,708	-	-	-	-	-	1,126,708
Due to Special Olympics, Inc.	-	553,056	2,012,343	27,149	-	(2,583,890)	8,658
Due to Christmas Records Trust	2,808,039	-	-	-	-	(2,808,039)	-
Grants and awards payable to affiliates	35,938	-	-	-	-	-	35,938
Deferred revenue and refundable advances	8,259,936	-	-	-	-	-	8,259,936
Total current liabilities	23,835,524	629,549	2,158,000	30,149	-	(5,391,929)	21,261,293
Noncurrent liabilities:							
Lease liability, net	4,402,053	-	-	-	-	-	4,402,053
Total noncurrent liabilities	4,402,053	-	-	-	-	-	4,402,053
Total liabilities	28,237,577	629,549	2,158,000	30,149	-	(5,391,929)	25,663,346
Net assets (deficit):							
Without donor restrictions:							
Undesignated	30,253,168	-	1,138,648	(30,149)	-	(273,733)	31,087,934
Designated	60,051,784	-	-	-	-	-	60,051,784
Total net assets without donor restrictions	90,304,952	-	1,138,648	(30,149)	-	(273,733)	91,139,718
With donor restrictions	47,442,992	35,707	-	-	1,146,163	-	48,624,862
Total net assets	137,747,944	35,707	1,138,648	(30,149)	1,146,163	(273,733)	139,764,580
Total liabilities and net assets	\$ 165,985,521	\$ 665,256	\$ 3,296,648	\$ -	\$ 1,146,163	\$ (5,665,662)	\$ 165,427,926

Special Olympics, Inc. and Affiliates

Combining Statement of Financial Position December 31, 2023

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Community Services, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 38,258,506	\$ 709,499	\$ 3,040,939	\$ -	\$ 1,092,662	\$ -	\$ 43,101,606
Contributions receivable	5,948,362	-	-	-	-	-	5,948,362
Program and other receivables, net	20,027,684	767,327	90,481	-	-	(5,674,294)	15,211,198
Prepaid expenses	3,014,959	-	27,713	-	-	-	3,042,672
Other assets	359,385	-	-	-	-	-	359,385
Total current assets	67,608,896	1,476,826	3,159,133	-	1,092,662	(5,674,294)	67,663,223
Noncurrent assets:							
Permanently restricted investments	8,029,874	-	-	-	-	-	8,029,874
Other investments	8,202,356	-	-	-	-	-	8,202,356
Net assets of combined entities	273,733	-	-	-	-	(273,733)	-
Economic beneficial interest in Christmas Records Trust	54,429,094	-	-	-	-	-	54,429,094
Long-term contributions receivable, net	5,519,899	-	-	-	-	-	5,519,899
Operating right-of-use asset, net	6,010,090	-	36,757	-	-	-	6,046,847
Property and equipment, net	1,520,175	-	22,406	-	-	-	1,542,581
Other assets	761,120	-	-	-	-	-	761,120
Total noncurrent assets	84,746,341	-	59,163	-	-	(273,733)	84,531,771
Total assets	\$ 152,355,237	\$ 1,476,826	\$ 3,218,296	\$ -	\$ 1,092,662	\$ (5,948,027)	\$ 152,194,994
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 14,865,227	\$ 880,885	\$ 78,457	\$ 4,394	\$ -	\$ -	\$ 15,828,963
Lease liability, net	918,100	-	1,901	-	-	-	920,001
Due to Special Olympics, Inc.	-	558,000	2,211,270	19,223	-	(2,788,493)	-
Due to Christmas Records Trust	2,885,801	-	-	-	-	(2,885,801)	-
Grants and awards payable to affiliates	163,299	-	-	-	-	-	163,299
Deferred revenue and refundable advances	8,724,598	-	-	-	-	-	8,724,598
Total current liabilities	27,557,025	1,438,885	2,291,628	23,617	-	(5,674,294)	25,636,861
Noncurrent liabilities:							
Lease liability, net	5,339,636	-	37,013	-	-	-	5,376,649
Total noncurrent liabilities	5,339,636	-	37,013	-	-	-	5,376,649
Total liabilities	32,896,661	1,438,885	2,328,641	23,617	-	(5,674,294)	31,013,510
Net assets (deficit):							
Without donor restrictions:							
Undesignated	26,732,332	-	889,655	(23,617)	-	(273,733)	27,324,637
Designated	57,800,655	-	-	-	-	-	57,800,655
Total net assets without donor restrictions	84,532,987	-	889,655	(23,617)	-	(273,733)	85,125,292
With donor restrictions	34,925,589	37,941	-	-	1,092,662	-	36,056,192
Total net assets	119,458,576	37,941	889,655	(23,617)	1,092,662	(273,733)	121,181,484
Total liabilities and net assets	\$ 152,355,237	\$ 1,476,826	\$ 3,218,296	\$ -	\$ 1,092,662	\$ (5,948,027)	\$ 152,194,994

Special Olympics, Inc. and Affiliates

Combining Statement of Activities Year Ended December 31, 2024

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Community Services, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
Revenues, gains and other support:							
Direct mail contributions	\$ 56,095,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,095,841
Individual and corporate contributions and sponsorships	53,544,767	756,731	2,287,742	-	-	-	56,589,240
Contributed goods and services	9,508,047	-	-	-	-	-	9,508,047
Federal grants	57,301,099	-	-	-	-	-	57,301,099
Accreditation fees	4,116,139	-	-	-	-	-	4,116,139
Royalty income	982,114	-	-	-	-	-	982,114
Appreciation in Christmas Records Trust assets, net	4,302,061	-	-	-	-	-	4,302,061
Other investment income (loss), net	5,515,513	-	-	-	54,626	(2,914,954)	2,655,185
Other income	3,970,207	-	468,590	-	-	(703,243)	3,735,554
Total revenues, gains and other support	195,335,788	756,731	2,756,332	-	54,626	(3,618,197)	195,285,280
Expenses:							
Program assistance	90,871,876	758,965	2,068,959	-	-	(3,618,197)	90,081,603
Public education and communications	52,400,835	-	-	6,532	-	-	52,407,367
Sports training and competitions	8,849,845	-	-	-	-	-	8,849,845
Fundraising	18,896,736	-	438,380	-	-	-	19,335,116
Management and general	6,027,128	-	-	-	1,125	-	6,028,253
Total expenses	177,046,420	758,965	2,507,339	6,532	1,125	(3,618,197)	176,702,184
Changes in net assets	18,289,368	(2,234)	248,993	(6,532)	53,501	-	18,583,096
Net assets (deficit):							
Beginning	119,458,576	37,941	889,655	(23,617)	1,092,662	(273,733)	121,181,484
Ending	\$ 137,747,944	\$ 35,707	\$ 1,138,648	\$ (30,149)	\$ 1,146,163	\$ (273,733)	\$ 139,764,580

Special Olympics, Inc. and Affiliates

Combining Statement of Activities Year Ended December 31, 2023

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Special Olympics Community Services, Ltd	Special Olympics Entertainment Corporation	Elimination Entries	Total
Revenues, gains and other support:							
Direct mail contributions	\$ 54,485,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,485,071
Individual and corporate contributions and sponsorships	34,856,252	3,568,652	1,174,880	-	-	(51,567)	39,548,217
Contributed goods and services	12,293,948	-	-	-	-	-	12,293,948
Federal grants	47,823,459	-	-	-	-	-	47,823,459
Accreditation fees	4,051,290	-	-	-	-	-	4,051,290
Royalty income	892,336	-	-	-	-	-	892,336
Depreciation in Christmas Records							
Trust assets, net	3,829,951	-	-	-	-	-	3,829,951
Other investment income (loss), net	5,355,612	-	-	-	32,361	(3,336,499)	2,051,474
Other income	968,812	-	583,197	-	-	(434,050)	1,117,959
Total revenues, gains and other support	164,556,731	3,568,652	1,758,077	-	32,361	(3,822,116)	166,093,705
Expenses:							
Program assistance	88,785,011	3,567,493	1,797,659	8,575	-	(3,822,116)	90,336,622
Public education and communications	46,969,252	-	-	-	(276,117)	-	46,693,135
Sports training and competitions	9,821,702	-	-	-	-	-	9,821,702
Fundraising	18,794,101	-	101,201	-	-	-	18,895,302
Management and general	7,278,834	-	-	-	1,285	-	7,280,119
Total expenses	171,648,900	3,567,493	1,898,860	8,575	(274,832)	(3,822,116)	173,026,880
Changes in net assets	(7,092,169)	1,159	(140,783)	(8,575)	307,193	-	(6,933,175)
Net assets (deficit):							
Beginning	126,550,745	36,782	1,030,438	(15,042)	785,469	(273,733)	128,114,659
Ending	<u>\$ 119,458,576</u>	<u>\$ 37,941</u>	<u>\$ 889,655</u>	<u>\$ (23,617)</u>	<u>\$ 1,092,662</u>	<u>\$ (273,733)</u>	<u>\$ 121,181,484</u>