

SPECIAL OLYMPICS TEXAS, INC.  
INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS  
December 31, 2021 and 2020

SPECIAL OLYMPICS TEXAS, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	
Year ended December 31, 2021	4
Year ended December 31, 2020	5
STATEMENT OF FUNCTIONAL EXPENSES	
Year ended December 31, 2021	6
Year ended December 31, 2020	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



## **Independent Auditors' Report**

To the Board of Directors of  
Special Olympics Texas, Inc.

### **Opinion**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Texas, Inc. as of December 31, 2021 and 2020, and the result of its operations and 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 Special Olympics Texas, Inc. 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 these 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 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 Special Olympics Texas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued.

## **Auditors' Responsibility for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

*Atchley & Associates, LLP*

Austin, Texas

April 19, 2022

**SPECIAL OLYMPICS TEXAS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,734,978	\$ 1,847,457
Accounts receivable, net	136,199	99,131
Investments	4,339,471	3,716,517
Prepaid expenses, deposits, and other current assets	185,774	141,175
Total Current Assets	7,396,422	5,804,280
Property and equipment - net	799,269	986,577
<b>Total Assets</b>	<b>\$ 8,195,691</b>	<b>\$ 6,790,857</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 26,041	\$ 6,555
Accrued employee benefits	117,873	11,009
Note payable, current (see Note 13)	-	149,208
Deferred revenue	-	241,130
Other liability	-	25,000
Total Current Liabilities	143,914	432,902
Note Payable, net of current (see Note 13)	-	578,611
Total Liabilities	143,914	1,011,513
Net Assets:		
Without donor restrictions:		
Operating	2,473,869	289,412
Board designated	2,859,975	2,305,695
Total Without Donor Restrictions	5,333,844	2,595,107
With donor restrictions	2,717,933	3,184,237
Total Net Assets	8,051,777	5,779,344
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,195,691</b>	<b>\$ 6,790,857</b>

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

**SPECIAL OLYMPICS TEXAS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUE</b>			
Grants	\$ 1,671,164	\$ 2,644,264	\$ 4,315,428
Fundraising events	3,835,160	-	3,835,160
Contributions	978,869	1,078,852	2,057,721
In-kind donations	161,363	-	161,363
Sales of materials	34,787	-	34,787
Program services fees	-	-	-
	<u>6,681,343</u>	<u>3,723,116</u>	<u>10,404,459</u>
Released from restrictions	<u>4,245,359</u>	<u>(4,245,359)</u>	<u>-</u>
Total Operating Revenue	<u>10,926,702</u>	<u>(522,243)</u>	<u>10,404,459</u>
<b>OPERATING EXPENSES</b>			
Program services	8,327,456	-	8,327,456
Management and general	140,711	-	140,711
Development and fundraising	184,927	-	184,927
Total Operating Expenses	<u>8,653,094</u>	<u>-</u>	<u>8,653,094</u>
Total Operating Income (Loss)	<u>2,273,608</u>	<u>(522,243)</u>	<u>1,751,365</u>
<b>NONOPERATING INCOME (EXPENSE)</b>			
Investment return, net	552,370	55,939	608,309
Cost of merchandise	<u>(87,241)</u>	<u>-</u>	<u>(87,241)</u>
Total Nonoperating Income (Loss)	<u>465,129</u>	<u>55,939</u>	<u>521,068</u>
<b>Change in Net Assets</b>	<u>2,738,737</u>	<u>(466,304)</u>	<u>2,272,433</u>
<b>Net Assets, Beginning of the Year</b>	<u>2,595,107</u>	<u>3,184,237</u>	<u>5,779,344</u>
<b>Net Assets, End of the Year</b>	<u>\$ 5,333,844</u>	<u>\$ 2,717,933</u>	<u>\$ 8,051,777</u>

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

**SPECIAL OLYMPICS TEXAS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUE</b>			
Grants	\$ 1,445,948	\$ 1,917,572	\$ 3,363,520
Fundraising events	1,529,116	-	1,529,116
Contributions	1,180,634	1,023,014	2,203,648
In-kind donations	1,037,175	-	1,037,175
Sales of materials	46,705	-	46,705
Program services fees	30,674	-	30,674
	<u>5,270,252</u>	<u>2,940,586</u>	<u>8,210,838</u>
Released from restrictions	<u>2,790,758</u>	<u>(2,790,758)</u>	<u>-</u>
Total Operating Revenue	<u>8,061,010</u>	<u>149,828</u>	<u>8,210,838</u>
<b>OPERATING EXPENSES</b>			
Program services	8,046,826	-	8,046,826
Management and general	153,422	-	153,422
Development and fundraising	206,739	-	206,739
Total Operating Expenses	<u>8,406,987</u>	<u>-</u>	<u>8,406,987</u>
Total Operating Income (Loss)	<u>(345,977)</u>	<u>149,828</u>	<u>(196,149)</u>
<b>NONOPERATING INCOME (EXPENSE)</b>			
Investment return, net	472,637	67,601	540,238
Cost of merchandise	<u>(124,180)</u>	<u>-</u>	<u>(124,180)</u>
Total Nonoperating Income (Loss)	<u>348,457</u>	<u>67,601</u>	<u>416,058</u>
<b>Change in Net Assets</b>	2,480	217,429	219,909
<b>Net Assets, Beginning of the Year</b>	<u>2,592,627</u>	<u>2,966,808</u>	<u>5,559,435</u>
<b>Net Assets, End of the Year</b>	<u>\$ 2,595,107</u>	<u>\$ 3,184,237</u>	<u>\$ 5,779,344</u>

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

**SPECIAL OLYMPICS TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Total</u>
Area and state game expenses	\$ 1,538,890	\$ 2,332	\$ -	\$ 1,541,222
Bank charges	-	78	-	78
Chapter assessment fees	124,868	-	-	124,868
Depreciation	307,098	-	-	307,098
Direct mail and telemarketing services	35,409	-	11,482	46,891
Employee benefits	398,616	8,393	12,588	419,597
Equipment rental and maintenance	170,017	8,719	-	178,736
Fundraising events direct costs	-	-	16,179	16,179
In-kind expenses	161,363	-	-	161,363
Insurance expense	272,667	2,477	-	275,144
Meeting and workshops	387	12	-	399
Occupancy	200,457	22,249	-	222,706
Payroll taxes	306,953	6,462	9,693	323,108
Postage and shipping	20,126	-	-	20,126
Professional fees	217,498	-	-	217,498
Salaries	4,274,485	89,989	134,985	4,499,459
Supplies	31,402	-	-	31,402
Telephone expense	120,698	-	-	120,698
Travel and training	146,522	-	-	146,522
Other expenses	-	-	-	-
Total	<u>\$ 8,327,456</u>	<u>\$ 140,711</u>	<u>\$ 184,927</u>	<u>\$ 8,653,094</u>

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



**SPECIAL OLYMPICS TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management and General	Development and Fundraising	Total
Area and state game expenses	\$ 917,983	\$ 1,391	\$ -	\$ 919,374
Bank charges	-	193	-	193
Chapter assessment fees	115,096	-	-	115,096
Depreciation	265,876	-	-	265,876
Direct mail and telemarketing services	7,441	-	2,413	9,854
Employee benefits	444,859	9,366	14,048	468,273
Equipment rental and maintenance	227,982	11,692	-	239,674
Fundraising events direct costs	-	-	57,000	57,000
In-kind expenses	950,302	-	-	950,302
Insurance expense	259,917	2,361	-	262,278
Meeting and workshops	27,609	855	-	28,464
Occupancy	234,142	25,987	-	260,129
Payroll taxes	289,049	6,085	9,128	304,262
Postage and shipping	10,432	-	-	10,432
Professional fees	134,963	-	-	134,963
Salaries	3,931,408	82,766	124,150	4,138,324
Supplies	9,645	-	-	9,645
Telephone expense	111,466	-	-	111,466
Travel and training	108,656	-	-	108,656
Other expenses	-	12,726	-	12,726
Total	<u>\$ 8,046,826</u>	<u>\$ 153,422</u>	<u>\$ 206,739</u>	<u>\$ 8,406,987</u>

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

**SPECIAL OLYMPICS TEXAS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 2,272,433	\$ 219,909
Adjustments to reconcile change in excess revenues to net cash used in operating activities:		
Depreciation expense	307,098	265,876
(Appreciation) depreciation in investments	(567,261)	(497,319)
(Gain) loss on disposal of fixed assets	-	12,742
Donation of fixed assets	-	(86,500)
Debt forgiveness income	(727,819)	-
Changes in assets and liabilities:		
Accounts receivable	(37,068)	50,909
Prepaid expenses and other current assets	(44,599)	(51,181)
Accounts payable and accrued expenses	19,486	(28,125)
Accrued employee benefits	106,864	(142,644)
Deferred revenue	(241,130)	241,130
Other liability	(25,000)	16,500
<b>Net Cash Flows from Operating Activities</b>	<b>1,063,004</b>	<b>1,297</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of fixed assets	(119,790)	(390,654)
Purchases of investments	(519,195)	(642,839)
Proceeds from sale of investments	463,502	657,605
<b>Net Cash Flows from Investing Activities</b>	<b>(175,483)</b>	<b>(375,888)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable	-	727,819
<b>Net Cash Flows from Financing Activities</b>	<b>-</b>	<b>727,819</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>887,521</b>	<b>353,228</b>
Beginning Cash and Cash Equivalents	1,847,457	1,494,229
Ending Cash and Cash Equivalents	<b>\$ 2,734,978</b>	<b>\$ 1,847,457</b>
Supplemental Disclosure of Cash Flow Information		
Donation of fixed assets	\$ -	\$ 86,500
Cash paid for interest expense	\$ -	\$ -

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

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

Special Olympics Texas, Inc. (the Organization) provides year-round athletic training and Olympic-type sports competition to children and adults with mental/intellectual disabilities and other closely related developmental disabilities. The Organization's mission is to provide continuing opportunities to develop physical fitness, demonstrate courage, experience joy, and participate in the sharing of gifts, skills and friendship with their families, other Special Olympians, and the community. Events are held at the area, regional, and state levels culminating in the Summer, Winter, and Fall Classic Games. Special Olympics Texas, Inc. is a registered 501(c)(3) not-for-profit organization supported by private donations from individuals, corporations, and organizations throughout the state. The program is dependent on volunteers who serve as coaches, officials, committee members, and more.

**Summary of Significant Accounting Policies**

**Basis of Presentation** - The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. For financial statement purposes, the Organization distinguishes between contributions with donor restrictions and without donor restrictions.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts, and short-term and highly liquid investments with an original purchase maturity date of three months or less.

**Contributions and Accounts Receivable** - Contributions received (including unconditional promises to give) are recorded as support with or without donor restrictions in the period received depending on the existence and/or nature of any donor restrictions. Contributions received which are part of the Organization's ongoing major or central activities are recognized as revenue. Conditional promises to give are recognized as the conditions upon which they depend are substantially met. The Organization measures promises to give with time horizons of cash flow greater than one year using an appropriate discount rate that is consistent with the general principles of fair value measurement. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Organization reports contributions as restricted if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized. Donated assets are recorded at their estimated fair market values at the date of receipt.

**Investments** - Investments in equity securities with readily determinable fair values are based on quoted market values while the time deposits are estimated at fair value by summing the principal investment plus accrued interest. Investment income and unrealized gains and losses are reported as increases in net assets without donor restrictions unless the donor placed restrictions on the use of earnings. The change in fair value between years is reflected in the statement of activities in the year of the change as investment return.

**Fair Value Measurements** - The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Net Assets Classifications** - The Organization classifies its net assets into two categories as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by action of the Board of Directors.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Net assets with donor restrictions include the portion of donor-restricted endowment funds that have not been appropriated for expenditure by the Organization. The Organization received \$3,723,116 and \$2,940,586 in restricted support in the years ending December 31, 2021 and 2020, respectively.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Allowance for Doubtful Accounts** - The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collections, and a review of the current status of the accounts receivable. Management has determined that no allowance for doubtful accounts is necessary as of December 31, 2021 and 2020.

**Contributed Services and Assets** - Contributed assets and services are recorded at their estimated fair value on the date of donation. The Organization received in-kind contributions and donated services for the years ended December 31, 2021 and 2020, of \$161,363 and \$1,037,175, respectively, and primarily represent contributed services related to coaches' time and services for the winter and spring games. In addition, many individuals volunteer their time to assist the Organization, but these services do not meet the criteria for recognition as contributed services, and therefore have not been recorded in the accompanying financial statements.

The Organization reports contributions of land, buildings, and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization received \$0 and \$86,500 in fixed asset in-kind donations in the years ending December 31, 2021 and 2020, respectively.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Property and Equipment** - Property and equipment are recorded at cost on the date of acquisition or at fair value on the date of donation. Repairs and maintenance are charged to expenses. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. Gains and losses from normal retirements or dispositions are credited or charged to revenue.

The Organization currently capitalizes property and equipment having an estimated useful life of more than one year, and meets or exceeds \$1,000 in cost, individually. Property and equipment are depreciated using the straight-line method over the following useful lives: building 30 years, building improvements 10 years, and furniture and equipment 5 years.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

**Income Taxes** – The Organization is exempt from federal income taxes pursuant to the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Therefore, no provision for federal income taxes has been reflected in the financial statements.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial position, changes in net assets, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021 and 2020. The tax returns for the years ending December 31, 2018, and after are open to examination by federal, local, and state authorities. There are currently no income tax audits for any tax periods in progress.

**Functional Expenses** - The expense information contained in the statements of activities and functional expenses is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates. Depreciation, insurance, and occupancy expense are allocated based on square footage. All other expenses are allocated based on time and effort.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Concentration of Credit Risk** - Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, contributions and accounts receivable, and investments. There was \$2,177,758 in cash or cash equivalent accounts that exceeded the maximum Federal Deposit Insurance Corporation limits at December 31, 2021.

In management's opinion, the Organization's cash and cash equivalents and investments do not represent a significant concentration of credit risk due to the diversification of the Organization's portfolio among institutions, instruments, and issuers.

For contributions and promises to give, the Organization performs ongoing credit evaluations of the donor's financial condition.

**Subsequent Events** - Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

Financial assets at year-end	2021	2020
Cash and cash equivalents	\$ 2,734,978	\$ 1,847,457
Accounts receivable	136,199	99,131
Investments, less endowment	3,995,891	3,372,937
Financial assets available to meet cash needs for general expenditures over the next twelve months	\$ 6,867,068	\$ 5,319,525

The Organization considers contributions restricted for programs which are ingoing and central to its annual operations to be available to meet cash needs for general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates only incurring expenses if adequate funds are available to pay for them. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

3. INVESTMENTS

Investments are stated at fair value and consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Equity securities	\$ 2,976,077	\$ 2,317,500
Corporate bonds	1,363,394	1,399,017
Total Investments	<u>\$ 4,339,471</u>	<u>\$ 3,716,517</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 57,449	\$ 61,893
Unrealized gain (loss)	567,261	497,319
Investment fees	(16,401)	(18,974)
Total Investment Return	<u>\$ 608,309</u>	<u>\$ 540,238</u>

4. FAIR VALUES

The following schedule summarizes the investments and their classification in the statements of financial position.

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 2,976,077	\$ -	\$ -	\$ 2,976,077
Corporate bonds	-	1,363,394	-	1,363,394
	<u>\$ 2,976,077</u>	<u>\$ 1,363,394</u>	<u>\$ -</u>	<u>\$ 4,339,471</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 2,317,500	\$ -	\$ -	\$ 2,317,500
Corporate bonds	-	1,399,017	-	1,399,017
	<u>\$ 2,317,500</u>	<u>\$ 1,399,017</u>	<u>\$ -</u>	<u>\$ 3,716,517</u>



**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

4. FAIR VALUES - CONTINUED

The majority of the Organization's investments in equity securities that are measured at fair value on a recurring basis consist of strategic investments in publicly traded companies. The valuation of these securities is based on quoted prices in active markets.

The majority of the Organization's debt securities consists of various fixed income securities such as U.S. government and agencies, and U.S. corporate. The valuation of the U.S. government and agency securities is based on quoted prices in active markets. Valuation of corporate bonds is based on pricing models whereby all significant inputs, including benchmark yields, reported trades, broker-dealer quotes, issue spreads, benchmark securities, bids, offers, and other market related data, are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset. Inputs are documented in accordance with the fair value measurements hierarchy. The Organization reviews security pricing and assesses liquidity on a quarterly basis.

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	2021	2020
Automobiles	\$ 930,843	\$ 930,843
Computer equipment	821,076	821,076
Office, fitness and other equipment	430,999	311,209
Total	2,182,918	2,063,128
Accumulated depreciation	(1,383,649)	(1,076,551)
Property and equipment, net	\$ 799,269	\$ 986,577

Depreciation expense was \$307,098 and \$265,876 for the years ended December 31, 2021 and 2020, respectively.

6. CLASSIFICATION OF NET ASSETS

**Without Donor Restrictions - Operating**

Net assets, which are free of donor-imposed restrictions, consist of all revenues, expenses, gains, and losses that are not changes in net assets with donor restrictions or with board designations. These funds are to be used to fund current operations at management's discretion.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

6. CLASSIFICATION OF NET ASSETS - CONTINUED

**Without Donor Restrictions - Board Designated**

The Organization's Board of Directors has designated the use of a building fund cash savings account and the value of certain investments. Board designated investments include an equity investment account in which all the investment earnings are reinvested totaling \$2,671,915 and \$2,099,141 at December 31, 2021 and 2020, respectively, and a fixed income investment account in which all investment earnings are distributed for current operations totaling \$188,060 and \$206,554, at December 31, 2021 and 2020, respectively. A three-fourth's vote of the Board of Directors is required before the funds may be used.

**With Donor Restrictions**

Net assets with time and purpose donor restrictions were \$2,374,353 and \$2,840,657, at December 31, 2021 and 2020, respectively, and they are restricted primarily for team funds. Net assets with time and purpose donor restrictions released were \$4,245,359 and \$2,790,758, for each of the years ended December 31, 2021 and 2020, respectively. Net assets with donor restrictions that are to be used into perpetuity consist of endowed gifts received from various donors. Earnings on the related investments may be expended on specific programs of the Organization which were stipulated by the respective donors in accordance with endowment policies. Net assets with donor restrictions that are to be used into perpetuity totaled \$343,580 for each of the years ended December 31, 2021 and 2020.

7. ENDOWMENTS

The Organization's endowment consists of donor-restricted funds, which are restricted for the purpose of furthering the Organization's mission. Net assets associated with the endowment funds, which may include funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization has interpreted Texas Uniform Prudent Management of Institutional Funds Act (Texas UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 the Organization in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

7. ENDOWMENTS - CONTINUED

In accordance with Texas UPMIFA, the Organization considers the following factors in making a determination on the amount, if any, to be available for distribution from each endowment fund:

1. The duration and preservation of the fund
2. The purposes of the Organization 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 the Organization
7. The investment policies of the Organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Board of Directors requires the Organization to retain as a fund of perpetual duration. The Organization did not have any funds with deficiencies as of December 31, 2021 and 2020.

The Organization's endowment net asset composition by type of fund was as follows as of December 31:

	2021	2020
Endowment net assets, beginning of year	\$ 343,580	\$ 343,580
Contributions	-	-
Appropriation of endowment	-	-
Endowment net assets, end of year	\$ 343,580	\$ 343,580

8. COMMITMENTS AND CONTINGENCIES

**Contingencies**

The Organization is exposed to risk due to the number of volunteers that are involved in carrying out the Organization's programs. The Organization's umbrella insurance coverage adequately covers any potential damages and liabilities arising from claims related to current and future litigation.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

8. COMMITMENTS AND CONTINGENCIES - CONTINUED

**Leases**

The Organization leases certain office space and office equipment under operating leases. Minimum future rentals for the office space lease and equipment leases as of December 31, 2021, are as follows:

2022	\$	196,770
2023		111,492
2024		112,286
2025		94,411
Thereafter		97,244
	<u>\$</u>	<u>612,203</u>

Rent expense for the years ended December 31, 2021 and 2020, was \$192,068 and \$241,258, respectively.

9. RETIREMENT PLAN

The Organization maintains a 401(k) pension plan for all eligible employees. Employer contributions to the plan are based on the participants' compensation and level of participation and are funded currently. Employer contributions to the plan for the years ended December 31, 2021 and 2020, were \$165,772 and \$130,508, respectively.

10. DIRECT MARKETING PLAN

The Organization conducts direct marketing campaigns, including direct mail and telemarketing, to raise funds and to increase public relations and awareness of the Organization's mission and activities. Such costs are expensed as incurred.

Direct mail and telemarketing projects for the years ended December 31, 2021 and 2020, resulted in gross contributions of \$651,286 and \$741,190, respectively. The campaigns incurred total costs for the years ended December 31, 2021 and 2020, of \$46,891 and \$9,854, respectively, for activities that included both a fundraising appeal and public education content.

11. AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

The Organization is accredited by Special Olympics International, Inc. (SOI) to conduct activities within the State of Texas. For the years ended December 31, 2021 and 2020, the Organization received \$1,425,067 and \$1,373,885, respectively, from SOI cooperative national fundraising projects and incurred expenses of \$141,368 and \$140,334 in 2021 and 2020, respectively, to SOI for program support.

**SPECIAL OLYMPICS TEXAS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

12. LINE OF CREDIT

The Organization entered into a committed line of credit up to \$500,000 on October 15, 2010, amended on December 1, 2011, June 25, 2013, August 10, 2016, July 5, 2017, and February 14, 2022, with interest at the BBA LIBOR daily floating rate plus 3% (4.275% at December 31, 2021), due February 14, 2023. There was no outstanding balance on the line of credit as of December 31, 2021 and 2020.

13. NOTE PAYABLE

A summary of note payables at December 31, 2021 and 2020, follows:

	2021	2020
Note payable related to the Paycheck Protection Program dated May 4, 2020, in the original amount of \$727,819, at an interest rate of 1%, with monthly payments of \$12,434, including interest until maturity on November 15, 2025.	\$ -	\$ 727,819
Less current installments of note payables	-	(149,208)
Note payables, excluding current installment	\$ -	\$ 578,611

The Paycheck Protection Program was made available due to the Covid 19 pandemic. The Paycheck Protection Program loan was forgiven in its entirety in 2021.