

Special Olympics Massachusetts, Inc.

Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
Special Olympics Massachusetts, Inc.

Opinion

We have audited the financial statements of Special Olympics Massachusetts, Inc. (SOMA), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of SOMA as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 SOMA 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 SOMA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 SOMA'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 SOMA'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.

RSM US LLP

Boston, Massachusetts
May 31, 2022

Special Olympics Massachusetts, Inc.

**Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,423,721	\$ 1,648,666
Assets limited as to use	131,814	168,043
Contributions receivable	451,341	632,909
Employee retention tax credit receivable	405,041	116,230
Prepaid expenses	27,872	80,125
Total current assets	3,439,789	2,645,973
Noncurrent assets:		
Investments	8,259,572	7,259,682
Contributions receivable, net of current portion	-	129,966
Cash surrender value of life insurance and other assets	854,518	854,518
Land, building and equipment, net	6,755,105	6,940,279
Total noncurrent assets	15,869,195	15,184,445
Total assets	\$ 19,308,984	\$ 17,830,418
Liabilities and Net Assets		
Current liabilities:		
Current portion of bonds payable	\$ 113,754	\$ 109,097
Current portion of Paycheck Protection Program loan	-	170,700
Accounts payable and accrued expenses	180,072	188,725
Deferred revenue	95,205	92,581
Total current liabilities	389,031	561,103
Noncurrent liabilities:		
Bonds payable, net of current portion	3,034,287	3,148,057
Paycheck Protection Program loan, net of current portion	-	170,700
Total noncurrent liabilities	3,034,287	3,318,757
Total liabilities	3,423,318	3,879,860
Net assets:		
Without donor restrictions:		
Undesignated	7,515,617	6,256,314
Board designated	8,259,572	7,259,682
Total net assets without donor restrictions	15,775,189	13,515,996
With donor restrictions:	110,477	434,562
Total net assets	15,885,666	13,950,558
Total liabilities and net assets	\$ 19,308,984	\$ 17,830,418

See notes to financial statements.

Special Olympics Massachusetts, Inc.

Statements of Activities

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:						
Corporate donations	\$ 425,054	\$ -	\$ 425,054	\$ 330,367	\$ -	\$ 330,367
Individual and other donations	969,302	-	969,302	1,261,079	-	1,261,079
Heritage telemarketing	-	-	-	5,663	-	5,663
Fundraising activities	1,468,229	-	1,468,229	1,726,801	-	1,726,801
Grants	491,016	-	491,016	303,916	5,000	308,916
DialAmerica Magazine	784	-	784	1,179	-	1,179
Program service fees	-	-	-	6,090	-	6,090
Direct marketing	660,590	-	660,590	615,438	-	615,438
Other income	6,000	-	6,000	3,500	-	3,500
Employee retention tax credit refund	288,811	-	288,811	116,230	-	116,230
Gain on forgiveness of debt (Paycheck Protection Program)	341,400	-	341,400	-	-	-
Investment income, net	1,001,743	-	1,001,743	857,069	-	857,069
Net assets released from restrictions	324,085	(324,085)	-	147,898	(147,898)	-
	5,977,014	(324,085)	5,652,929	5,375,230	(142,898)	5,232,332
In-kind contributions	3,356,684	-	3,356,684	3,313,087	-	3,313,087
Total revenue and other support	9,333,698	(324,085)	9,009,613	8,688,317	(142,898)	8,545,419
Expenses:						
Program services	5,711,629	-	5,711,629	5,773,541	-	5,773,541
Management and general	443,288	-	443,288	387,775	-	387,775
Fundraising	919,588	-	919,588	1,129,979	-	1,129,979
Total expenses	7,074,505	-	7,074,505	7,291,295	-	7,291,295
Change in net assets	2,259,193	(324,085)	1,935,108	1,397,022	(142,898)	1,254,124
Net assets, beginning of year	13,515,996	434,562	13,950,558	12,118,974	577,460	12,696,434
Net assets, end of year	\$ 15,775,189	\$ 110,477	\$ 15,885,666	\$ 13,515,996	\$ 434,562	\$ 13,950,558

See notes to financial statements.

Special Olympics Massachusetts, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Services	Management and General	Fundraising	Total
Salaries and stipends	\$ 984,534	\$ 258,589	\$ 493,802	\$ 1,736,925
Competitions	425,777	-	-	425,777
Payroll taxes and fringe benefits	192,552	50,574	96,576	339,702
Fundraising events	-	-	190,977	190,977
Interest	120,910	2,687	10,748	134,345
Repairs and maintenance	108,580	2,413	9,652	120,645
Insurance	67,086	1,491	5,963	74,540
Utilities	62,882	1,397	5,589	69,868
Technology related expenses	39,322	10,330	19,723	69,375
Special Olympics Incorporated—chapter fee	30,517	30,516	-	61,033
Professional fees	-	44,695	-	44,695
Conferences	2,183	9,755	30,164	42,102
Supplies	17,435	4,580	8,745	30,760
Telephone	14,618	3,840	7,332	25,790
Auto and travel expense	7,952	6,119	8,875	22,946
Postage	11,751	3,087	5,894	20,732
Appreciation	13,089	-	-	13,089
Volunteer and family expense	12,019	-	-	12,019
Promotional expense	4,666	-	4,492	9,158
Membership, dues and subscriptions	-	7,951	-	7,951
Printing	4,333	96	385	4,814
Training	2,186	-	-	2,186
Total expenses before in-kind and depreciation and amortization	2,122,392	438,120	898,917	3,459,429
In-kind expenses	3,356,685	-	-	3,356,685
Total expenses before depreciation and amortization	5,479,077	438,120	898,917	6,816,114
Depreciation and amortization	232,552	5,168	20,671	258,391
Total expenses	\$ 5,711,629	\$ 443,288	\$ 919,588	\$ 7,074,505

See notes to financial statements.

Special Olympics Massachusetts, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries and stipends	\$ 886,462	\$ 228,689	\$ 610,700	\$ 1,725,851
Competitions	653,367	-	-	653,367
Payroll taxes and fringe benefits	184,686	47,645	127,233	359,564
Fundraising events	-	-	277,015	277,015
Interest	125,647	2,792	11,169	139,608
Repairs and maintenance	93,733	2,083	8,332	104,148
Insurance	67,043	1,490	5,959	74,492
Technology related expenses	37,243	9,608	25,663	72,514
Special Olympics Incorporated—chapter fee	29,792	29,792	-	59,584
Utilities	52,359	1,164	4,654	58,177
Professional fees	-	42,930	-	42,930
Supplies	14,472	3,733	9,972	28,177
Telephone	14,426	3,722	9,940	28,088
Volunteer and family expense	27,690	-	-	27,690
Postage	8,159	2,105	5,622	15,886
Auto and travel expense	6,308	3,850	4,219	14,377
Promotional expense	7,479	-	4,450	11,929
Conferences	3,800	12	2,920	6,732
Appreciation	5,500	-	-	5,500
Training	3,877	-	-	3,877
Membership, dues and subscriptions	-	2,877	-	2,877
Heritage telemarketing fees	666	-	998	1,664
Printing	845	19	75	939
Total expenses before in-kind and depreciation and amortization	2,223,554	382,511	1,108,921	3,714,986
In-kind expenses	3,313,087	-	-	3,313,087
Total expenses before depreciation and amortization	5,536,641	382,511	1,108,921	7,028,073
Depreciation and amortization	236,900	5,264	21,058	263,222
Total expenses	\$ 5,773,541	\$ 387,775	\$ 1,129,979	\$ 7,291,295

See notes to financial statements.

Special Olympics Massachusetts, Inc.

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,935,108	\$ 1,254,124
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	258,391	263,222
Net realized and unrealized gains on investments	(862,831)	(713,636)
Gain on forgiveness of debt (Paycheck Protection Program)	(341,400)	-
Donated Securities	(15,784)	(50,152)
Proceeds from sales of donated securities	14,565	28,015
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	311,534	281,400
Employee retention tax credit receivable	(288,811)	(116,230)
Prepaid expenses	52,253	(25,441)
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,653)	(25,884)
Deferred revenue	2,624	(85,242)
Total adjustments	(878,112)	(443,948)
Net cash provided by operating activities	1,056,996	810,176
Cash flows from investing activities:		
Purchase of investments	(147,348)	(1,364,721)
Proceeds from the sale of investments	11,508	1,383,609
Purchase of equipment	(73,217)	(35,037)
Net cash used in investing activities	(209,057)	(16,149)
Cash flows from financing activities:		
Payments of bonds payable	(109,113)	(104,263)
Proceeds from Paycheck Protection Program loan	-	341,400
Net cash (used in) provided by financing activities	(109,113)	237,137
Net change in cash, cash equivalents and restricted cash	738,826	1,031,164
Cash, cash equivalents and restricted cash, beginning of year	1,816,709	785,545
Cash, cash equivalents and restricted cash, end of year	\$ 2,555,535	\$ 1,816,709
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 134,345	\$ 139,608

See notes to financial statements.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Special Olympics Massachusetts, Inc. (SOMA or the Organization) is a state chapter of Special Olympics, Inc. (SOI), a nonprofit charitable organization that provides year-round sports training and competition in a variety of Olympic type sports for children and adults with intellectual disabilities, giving them the ability to develop physical fitness, prepare for entry into school and community programs, demonstrate courage, experience joy, and participate in the sharing of gifts, skills and friendship with families, other Special Olympics athletes and the community. SOMA has pioneered two major global initiatives; Unified Sports® and Healthy Athletes®. Unified Sports® promotes inclusion in sports by teaming intellectually disabled athletes with their non-handicapped age-appropriate counterparts for both training and competition purposes. The Healthy Athletes® Initiative provides health related programming designed to ultimately increase access to quality healthcare for people with intellectual disabilities. Through these and other program opportunities, SOMA contributes greatly to the overall quality of life for this population.

A summary of SOMA's significant accounting policies follows:

Classification and reporting of net assets: SOMA's financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America (GAAP). Under GAAP, SOMA is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions represent the portion of net assets of SOMA that is not restricted by donor-imposed stipulations. In addition, net assets without donor restrictions of SOMA include Board designated funds, which represent unrestricted resources designated by the Board of Directors (Board) for specific purposes. Board designated funds are intended to be drawn to meet the debt servicing needs of SOMA, as well as other unbudgeted costs. Annual distributions are subject to approval by both the Finance Committee and the Board in connection with the annual budget process.
- Net assets with donor restrictions represent contributions and other inflows of assets whose use by SOMA is limited by donor-imposed stipulations that may expire by passage of time, can be fulfilled and removed by actions of SOMA pursuant to those stipulations or may be held permanently.

Cash and cash equivalents: SOMA considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. SOMA maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. SOMA has not experienced any losses in such accounts. SOMA believes it is not exposed to any significant credit risk on cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and assets limited as to use reported within the statements of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31:

	2021	2020
Cash and cash equivalents	\$ 2,423,721	\$ 1,648,666
Assets limited as to use	131,814	168,043
Total cash, cash equivalents, and assets limited to use shown in the statements of cash flows	<u>\$ 2,555,535</u>	<u>\$ 1,816,709</u>

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Assets limited as to use represents a debt service fund to meet its debt service requirements (see Note 8).

Investments and fair value measurements: Investments are presented in the financial statements at fair value, as established by the major securities markets. Purchases and sales of securities are recorded on trade dates. Investment income and losses are reported as increases or decreases in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Investment management fees are presented as a component of investment income in the statements of activities.

Under the Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements, fair value is 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. In determining fair value, the Organization uses various methods including market, income and cost approaches.

Based on these approaches, SOMA often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. SOMA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, SOMA is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1:** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2:** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3:** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

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

SOMA has various processes and controls in place to ensure that fair value is reasonably estimated.

While SOMA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

During the years ended December 31, 2021 and 2020, there were no changes to SOMA's valuation techniques that had, or are expected to have, a material impact on its statements of financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity securities and exchange traded funds: The fair value of equity securities and exchange traded funds, is the market value based on quoted market prices.

Money market funds and bonds: Money market funds are open ended funds that generally have subscription and redemption activity at a \$1.00 stable value. On a daily basis a fund's value is calculated using the amortized cost (not market value) of the securities held in the fund. The fair value of bonds is based on observable data and other market prices.

Land, building and equipment: Land, building and equipment are recorded at cost, or if donated, at fair value on the date of the donation. Deprecation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method over the following estimated useful lives:

Description	Years
Building	39
Capital improvements	20
Furniture and fixtures	7
Equipment	5-7
Software	3

Expenditures for major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred.

Asset retirement obligation: SOMA follows FASB Accounting Standards Codification (ASC) 410, *Asset Retirement and Environmental Obligations*; this standard requires a liability be recorded at fair value specific to certain legal environmental obligations. The recording of a liability is required if such conditions exist and the obligation can be reasonably estimated. As of December 31, 2021 and 2020, SOMA is unaware of any such obligations. SOMA will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate the fair value.

Impairment of long-lived assets: Long-lived assets, which consist primarily of property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, SOMA compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the years ended December 31, 2021 and 2020, no impairment indicators were identified.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions and revenue recognition: In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customer. The five-step model defined by ASC Topic 606 requires the Organization to (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied.

Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. Revenue recognized under ASC Topic 606 was inconsequential for the years ended December 31, 2021 and 2020. Contributions are not within the scope of ASC Topic 606.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period in which the unconditional promises to give are made. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions and pledges receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activities.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset without donor restriction class.

SOMA receives various program materials and the use of facilities without charge or at discounted rates. To the extent determinable, the value of such donations is recorded at the estimated fair value on the date of the gift and is reported as support and program expense in the year the materials or facilities are used.

A substantial number of unpaid volunteers make significant contributions of their time to assist in SOMA's programs, principally in the coaching of athletes and in the conduct of competitions and other events. To the extent determinable and to the extent that these services require a skillset for which SOMA would otherwise have to pay for, the value of such contributed services is recorded at the estimated fair value on the date of service and is reported as support and program expense in the year the services are provided.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Allocation of joint costs: SOMA follows the accounting standard, *Accounting for Costs of Activities that Include Fundraising*, subsections of ASC 958-720. The standard requires that, if the criteria of purpose, audience, and content as defined in the standard are met, the costs of joint activities that are identifiable with a particular function should be charged to that function, and joint costs should be allocated between fundraising and the appropriate program or management and general function. If any of the criteria of purpose, audience, and content are not met, all costs of the activity should be reported as fundraising costs.

In 2020, SOMA conducted a telemarketing campaign aimed at businesses. This campaign included requests for contributions, but also contained educational and public relations components. The joint costs of conducting these types of activities which were not specifically attributable to particular components of the activity included a total of \$1,664 for 2020. These joint costs were allocated based upon the average program content percentage of the campaign literature. There were no joint costs for these types of activities for the year ended December 31, 2021.

For 2020, SOMA allocated \$998 to fundraising, and \$666 to program.

Income tax status: SOMA is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes except for net revenue from unrelated business activities.

Uncertainty of income taxes: SOMA follows ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. SOMA recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities. Management evaluated SOMA's tax positions and concluded that SOMA has no material uncertainties in income taxes as of December 31, 2021 and 2020. SOMA will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense. SOMA is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for three years from the filing date.

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

Functional expenses: The costs of providing the various programs and other activities of SOMA have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the programs and supporting services based on salaries and square footage.

Subsequent events: SOMA has evaluated events and transactions for potential recognition or disclosure through May 31, 2022, the date the financial statements were available to be issued.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. SOMA is currently evaluating the impact of the adoption of this guidance on its financial statements.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. ASU 2016-13 is effective for SOMA for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. SOMA does not intend to early adopt. SOMA is currently evaluating the effect that the standard will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. SOMA is currently evaluating the impact of the adoption of this guidance on its financial statements.

Note 2. Affiliated Organization

During the year ended December 31, 2016, SOMA entered into a new revenue sharing contract with SOI called the Integrated Direct Marketing Program (IDMP). Under this new contract, SOI performs residential telemarketing, online fundraising and direct mailing and distributes a percentage of the revenue generated to its chapters. Total revenue generated for SOMA under this agreement during the years ended December 31, 2021 and 2020 was \$660,590 and \$615,438, respectively. The balance due from SOI at December 31, 2021 and 2020 was \$228,014 and \$182,863, respectively, and is included in contributions receivable. For the years ended December 31, 2021 and 2020, SOMA paid \$61,033 and \$59,584, respectively, of chapter fees to SOI.

Note 3. Financial Assets and Liquidity Resources

As of December 31, 2021 and 2020, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2021	2020
Cash	\$ 2,423,721	\$ 1,648,666
Current contributions receivable	451,341	632,909
Employee retention credit receivable	405,041	116,230
Total financial assets available within one year	<u>\$ 3,280,103</u>	<u>\$ 2,397,805</u>

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 3. Financial Assets and Liquidity Resources (Continued)

As part of its liquidity management, the Organization evaluates on an annual basis liquidity requirements taking into consideration operating expectations, capital plans and debt service requirements. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due. In addition, the Organization has board designated assets totaling \$8,259,572 and \$7,259,682 as of December 31, 2021 and 2020, respectively. Although SOMA does not intend to spend from its board designated assets other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available if necessary.

In addition, the Organization maintains a \$1,500,000 line of credit that is fully available for use as of December 31, 2021. For the periods ended December 31, 2021 and 2020, the Organization did not draw on the line of credit.

Note 4. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset class. The unconditional promises to give are expected to be received within one year and consist mostly of amounts due under that year's telemarketing agreement (see Note 16), amounts due from SOI (see Note 2), direct mailings and various corporate sponsorships for events that occurred during the year.

	2021	2020
Amounts due in:		
Less than one year	\$ 451,341	\$ 632,909
One to five years	-	133,202
Total contributions receivable, gross	451,341	766,111
Less discount for future payments	-	(3,236)
Total contributions receivable, net	451,341	762,875
Less current portion	(451,341)	(632,909)
Long-term portion of contributions receivable, net	\$ -	\$ 129,966

Long-term contributions receivable were discounted at an interest rate of 2.49% for both of the periods ended December 31, 2021 and 2020. Net of discount, 100% of long-term contributions receivable were due from one donor as of December 31, 2020.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurements

The following tables are a summary of assets that SOMA measures at fair value on a recurring basis, by level, within the fair value hierarchy at December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	\$ 3,110,928	\$ -	\$ -	\$ 3,110,928
International equity securities	485,520	-	-	485,520
Corporate bonds	-	1,607,481	-	1,607,481
U.S. government bonds	-	284,205	-	284,205
Municipal bonds	-	503,104	-	503,104
Exchange-traded mutual funds	1,931,439	-	-	1,931,439
Money market funds	-	336,895	-	336,895
	<u>s\$ 5,527,887</u>	<u>\$ 2,731,685</u>	<u>\$ -</u>	<u>\$ 8,259,572</u>
	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	\$ 2,566,095	\$ -	\$ -	\$ 2,566,095
International equity securities	400,489	-	-	400,489
Corporate bonds	-	1,452,563	-	1,452,563
U.S. government bonds	-	282,411	-	282,411
Municipal bonds	-	522,751	-	522,751
Exchange-traded mutual funds	1,492,737	-	-	1,492,737
Money market funds	-	542,636	-	542,636
	<u>\$ 4,459,321</u>	<u>\$ 2,800,361</u>	<u>\$ -</u>	<u>\$ 7,259,682</u>

Note 6. Land, Building and Equipment

Land, building and equipment was as follows at December 31:

	2021	2020
Building and capital improvements	\$ 9,168,984	\$ 9,102,798
Land	407,116	407,116
Furniture and fixtures	106,075	106,075
Equipment	549,393	542,364
Software	359,494	359,494
	<u>10,591,062</u>	<u>10,517,847</u>
Less accumulated depreciation and amortization	<u>(3,835,957)</u>	<u>(3,577,568)</u>
	<u>\$ 6,755,105</u>	<u>\$ 6,940,279</u>

Depreciation expense totaled \$258,391 and \$263,222 for the years ended December 31, 2021 and 2020, respectively.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 7. Line of Credit

In connection with the issuance of the 2008 Massachusetts Development Finance Agency (MDFA) Bonds, as discussed in Note 8, SOMA obtained a \$1,500,000 revolving line of credit with a bank that is renewed annually in October. The line of credit is payable on demand and incurs interest at the bank's prime rate (3.25% as of December 31, 2021). The line of credit agreement is subject to certain covenants and is secured by a portion of SOMA's investment portfolio. There was no outstanding balance or interest expense as of or for the years ended December 31, 2021 and 2020.

Note 8. Bonds Payable

During 2008, SOMA issued series 2008 MDFA revenue bonds maturing on August 21, 2038 with an initial total face value of \$9,444,000. The bonds had an initial fixed interest rate of 4.85%, based on the then Federal Home Loan Bank Rate plus 50 basis points, with a floor of not less than 4.00%, which was reset on August 21, 2018 and will be reset again on August 21, 2028. The bonds were issued and proceeds were used in connection with the construction of SOMA's new sports training and conference center. Interest only payments were required to be made on the bonds outstanding through August 21, 2010, at which point, principal and interest payments were due in monthly installments of \$41,709. The bonds are secured by the assets of SOMA and have certain covenants which are to be tested annually upon receipt of SOMA's financial report. When SOMA sold the Danvers property in April 2010, SOMA was required to make a pay down of \$1,500,000 on the bond. During the first quarter of 2012, SOMA made an additional payment on the bond of \$2,500,000 and refinanced the MDFA revenue bonds. The interest rate was adjusted to a fixed rate of 4.00% for the remainder of the initial period based on the then Federal Home Loan Bank Rate plus 50 basis points, with a floor of not less than 4.00%. There was a contemporaneous re-amortization which resulted in the monthly principal and interest payments starting April 21, 2012 to be reduced to \$24,705. During the third quarter of 2018, SOMA made an additional payment on the bond of \$1,000,000 and the fixed interest rate was reset in accordance with the terms of with the bond agreement. The interest rate was adjusted to a fixed rate of 4.13% for the second period of the bond agreement. There was a contemporaneous re-amortization which resulted in the monthly principal and interest payments starting August 21, 2018 to be reduced to \$20,285. A new monthly payment level will be determined on August 21, 2028 in conjunction with the resetting of the interest rate. The outstanding balance due at December 31, 2021 and 2020 was \$3,148,041 and \$3,257,154, respectively. Interest expense totaled \$134,309 and \$139,158 for the years ended December 31, 2021 and 2020, respectively.

Bonds payable as of December 31 is as follows:

	2021	2020
Current portion of bonds payable	\$ 113,754	\$ 109,097
Long-term portion of bonds payable	3,034,287	3,148,057
	<u>\$ 3,148,041</u>	<u>\$ 3,257,154</u>

In addition, under the terms of the bond issuance, SOMA was required to establish and maintain a debt service fund to meet its debt service requirements. The debt service fund is held by the bond trustee and consists of cash and cash equivalents. Assets limited as to use as of December 31, 2021 and 2020 totaled \$131,814 and \$168,043, respectively.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 8. Bonds Payable (Continued)

Future minimum principal payments are as follows as of December 31, 2021:

2022	\$	113,754
2023		118,609
2024		123,329
2025		128,937
2026		134,441
Thereafter		2,528,971
	\$	<u>3,148,041</u>

Note 9. Paycheck Protection Program Loan

On April 16, 2020, the Organization received a loan from a bank in the aggregate amount of \$341,400 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as administered by the U.S. Small Business Administration (SBA). Under the initial terms of the loan, the loan would have matured on the two-year anniversary of the funding date, with interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness, would commence after the six-month anniversary of the funding date. The Organization did not provide any collateral or guarantees in connection with the loan, nor did the Organization pay any facility charge to obtain the loan. All or a portion of the loan was eligible to be forgiven by the SBA and the bank upon application by the Organization. As of December 31, 2020, the loan is presented on the statement of financial position with \$170,700 as a current liability and \$170,700 as a noncurrent liability.

The Organization has accounted for the PPP proceeds under FASB ASC 470, Debt. Upon notification of its legal release from the loan on March 5, 2021 (i.e. full forgiveness), the Organization recognized a gain on forgiveness of debt equal to the full amount of the PPP draw proceeds, which is included in the accompanying statement of activities for the year ended December 31, 2021. The SBA retains the right to audit loans that were forgiven for up to six years from the date of forgiveness to review compliance with the spending and determination of need requirements for the loan.

Note 10. Employee Retention Tax Credit

During the years ended December 31, 2021 and 2020, the Organization qualified for the Employee Retention Tax Credit (ERTC) in the amount of \$288,811 and \$116,230, respectively, as part of the CARES Act. The purpose of the ERTC is to give employers a refundable tax credit that equals 50% of the qualified wages the employer pays to employees after March 12, 2020 and before January 1, 2021, and 70% of qualified wages the employer pays to employees after December 31, 2020, and before October 1, 2021. To claim the credit, employers must have experienced economic hardship due to a full or partial suspension of operations due to COVID-19, or a significant decrease in gross cash receipts. The Organization is accounting for the ERTC following contribution accounting guidance under ASC 958-605. The Organization identified eligibility as a barrier in order to receive these funds and determined this barrier was met as of December 31, 2021 and 2020. The Organization has recorded the ERTC as a component of revenue and other support on the accompanying statement of activities for the year ended December 31, 2021 and 2020. As the ERTC has not been refunded to the Organization as of December 31, 2021 and 2020, the Organization has recorded \$405,041 and \$116,230, respectively, as an employee retention tax credit receivable as a current asset in the accompanying statements of financial position as of December 31, 2021 and 2020.

Note 11. Contributed Materials and Facilities

The value of contributed materials and facilities during the years ended December 31, 2021 and 2020 was \$75,483 and \$29,802, respectively, and included in in-kind contributions in the accompanying statements of activities.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 12. Contributed Services

The value of contributed services during the years ended December 31, 2021 and 2020 was \$3,281,202 and \$3,283,285, respectively, and included in in-kind contributions in the accompanying statements of activities.

Note 13. Commitments

SOMA leases office equipment under operating lease agreements requiring monthly payments ranging from \$169 to \$627 expiring on various dates through May 2026. Lease expense totaled \$9,552 for each of the years ended December 31, 2021 and 2020.

Future minimum lease payments are as follows as of December 31:

2022	\$	9,552
2023		9,552
2024		2,028
2025		2,028
2026		845
	\$	<u>24,005</u>

During the year ended December 31, 2019, SOMA entered into a three-year sponsorship agreement in which SOMA will make yearly payments as a sponsorship fee for the years 2020 through 2022. In May 2021, the agreement was extended through 2023 due to the event not taking place in 2021. As such, there was no sponsorship fee for the year ended December 31, 2021. The sponsorship fee totaled \$150,000 for the year ended December 31, 2020.

Future minimum payments on this agreement are as follows as of December 31:

2022	\$	160,000
2023		170,000
	\$	<u>330,000</u>

Note 14. Life Insurance Policies

Certain individuals including board members and the former CEO's of SOMA have obtained life insurance policies naming SOMA as beneficiary of the death benefits and any cash surrender value on the policies. The cash surrender value on these policies was \$8,101 at December 31, 2021 and 2020.

In addition, SOMA had purchased a split dollar life insurance policy for the benefit of its former CEO. This individual, who retired from SOMA in March 2013, is the sole owner of the policy and may exercise all ownership rights granted by the terms of the policy, but the existing assignment of the policy to SOMA shall not be revised without the consent of SOMA. The premium for the policy was paid by SOMA during the individual's employment. The final premium payment on the policy was made during the year ended December 31, 2013. SOMA has the right to receive a portion of the policy's benefit, equal to the total amount of its share of the premiums paid, net of the taxable amounts reported to the former CEO, upon death of the insured. The policy can only be terminated through joint approval of both SOMA and the former CEO. Premiums paid to date on the policy as of December 31, 2021 and 2020 totaled \$881,010. The cash surrender value of the policy at December 31, 2021 and 2020 was \$738,569. SOMA has recorded an asset of \$846,417, which is equal to the total premiums paid to date, net of the taxable amounts reported in previous years, as SOMA has no intention to terminate the policy.

Special Olympics Massachusetts, Inc.

Notes to Financial Statements

Note 15. Retirement Benefits

SOMA maintains a defined contribution retirement plan. All employees 21 years of age or older who have completed one year of service and 1,000 hours of service are eligible for the plan. During the years ended December 31, 2021 and 2020, SOMA made discretionary contributions, which were approved by the Board, of \$63,058 and \$59,143, respectively, to the plan.

Note 16. Telemarketing

SOMA had an agreement with The Heritage Co. (Heritage), a telemarketing company, for telemarketing and fundraising services aimed at businesses, with the goals of education of the public, identification of potential program athletes, coaches and volunteers, encouragement for support on local levels by way of attendance at athletic events, and current fundraising. Contributions raised through Heritage during the year ended December 31, 2020 totaled \$5,663. Fees charged by the telemarketing company for fundraising services for the year ended December 31, 2020 totaled \$1,664. There were no amounts owed to or from Heritage at December 31, 2020. The contract with Heritage ended in 2020.

Note 17. Net Assets With Donor Restrictions

The following is a summary of net assets with donor restriction as of December 31:

	2021	2020
Contributions—time restrictions	\$ 110,477	\$ 429,966
Contributions—use restrictions	-	4,596
	<u>\$ 110,477</u>	<u>\$ 434,562</u>

Note 18. Net Assets Released from Donor Restrictions

Net assets released from donor restrictions for the years ended December 31 were as follows:

	2021	2020
Operating:		
Expiration of time restrictions	<u>\$ 324,085</u>	<u>\$ 147,898</u>



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Special Olympics Massachusetts, Inc.

We have audited the financial statements of Special Olympics Massachusetts (SOMA) as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon, which contained an unmodified opinion on those financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

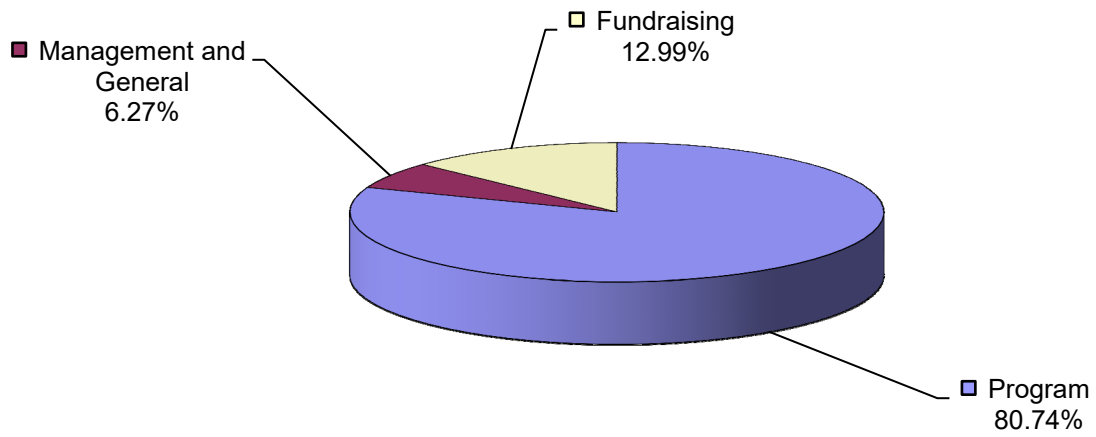
RSM US LLP

Boston, Massachusetts
May 31, 2022

Special Olympics Massachusetts, Inc.

**Schedule of Expense Percentages
Year Ended December 31, 2021**

	Program	Management and General	Fundraising
Percentage of total expenses	80.74%	6.27%	12.99%



Special Olympics Massachusetts, Inc.

**Schedule of Expense Percentages
Year Ended December 31, 2020**

	Program	Management and General	Fundraising
Percentage of total expenses	79.18%	5.32%	15.50%

