



Report of Independent Auditors  
and Financial Statements

**Special Olympics Colorado**

December 31, 2022 and 2021

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## Report of Independent Auditors

The Board of Directors  
Special Olympics Colorado

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Special Olympics Colorado, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of activities and net assets, 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 activities and net assets, functional expenses as of December 31, 2022 and 2021, and the results of its operations 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 activities and net assets and functional expenses 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.

#### *Emphasis of Matter – Change in Accounting Principle*

As discussed in Note 2 to the financial statements, in 2022, Special Olympics Colorado adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

#### *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 Special Olympics Colorado'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 Special Olympics Colorado'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 Colorado'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.



Denver, Colorado  
June 16, 2023

## **Financial Statements**

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**Special Olympics Colorado**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

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	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,231,379	\$ 3,460,460
Short-term cash investments	943,262	322,717
Accounts receivable	162,235	132,593
Prepaid expenses and deposits	46,678	48,507
Total current assets	4,383,554	3,964,277
<b>OTHER ASSETS</b>		
Beneficial interest in perpetual trust	560,086	715,384
Quasi-endowment	547,395	612,339
PROPERTY AND EQUIPMENT, NET	158,486	185,737
OPERATING LEASE RIGHT-OF-USE ASSET	1,064,343	-
Total noncurrent assets	2,330,310	1,513,460
<b>TOTAL ASSETS</b>	<b>\$ 6,713,864</b>	<b>\$ 5,477,737</b>

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See accompanying notes.

**Special Olympics Colorado**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

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	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 96,119	\$ 90,672
Accrued liabilities	319,485	297,663
Deferred revenue	333,960	276,623
Operating lease liabilities, current	130,081	-
Deferred rent, current	-	13,543
	879,645	678,501
Total current liabilities		
OPERATING LEASE LIABILITIES, LESS CURRENT PORTION	1,031,915	-
DEFERRED RENT, LESS CURRENT PORTION	-	83,423
	1,911,560	761,924
Total liabilities		
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Board designated	1,047,395	1,112,339
Undesignated	3,150,724	2,845,874
	4,198,119	3,958,213
Total net assets without donor restrictions		
Net assets with donor restrictions	604,185	757,600
	4,802,304	4,715,813
Total net assets		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,713,864</b>	<b>\$ 5,477,737</b>

See accompanying notes.

**Special Olympics Colorado**  
**Statements of Activities and Net Assets**  
**Year Ended December 31, 2022**

	Year Ended December 31, 2022			Year Ended December 31, 2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE, GAINS, LOSSES, AND OTHER SUPPORT</b>				
Contributions and sponsorships	\$ 4,000,438	\$ 2,500	\$ 4,002,938	\$ 3,382,671
Merchandise sales	69,602	-	69,602	31,124
In-kind contributions	3,762,972	-	3,762,972	2,181,295
Grants	1,194,794	-	1,194,794	1,021,694
Grants - PPP loan forgiveness	-	-	-	475,700
Investment (loss) income	(38,687)	-	(38,687)	67,963
Change in value of perpetual trust	-	(155,298)	(155,298)	76,036
Special events - net of expense of \$447,311 (2022) and \$401,002 (2021)	311,319	-	311,319	243,472
Release from restrictions	617	(617)	-	-
Total revenue, gains, losses, and other support	<u>9,301,055</u>	<u>(153,415)</u>	<u>9,147,640</u>	<u>7,479,955</u>
<b>EXPENSES</b>				
Competitions and training	7,112,944	-	7,112,944	5,036,609
Administration and general	594,073	-	594,073	515,678
Fundraising	1,354,132	-	1,354,132	1,311,214
Total expenses	<u>9,061,149</u>	<u>-</u>	<u>9,061,149</u>	<u>6,863,501</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	239,906	(153,415)	86,491	616,454
<b>NET ASSETS, beginning of year</b>	<u>3,958,213</u>	<u>757,600</u>	<u>4,715,813</u>	<u>4,099,359</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,198,119</u>	<u>\$ 604,185</u>	<u>\$ 4,802,304</u>	<u>\$ 4,715,813</u>

See accompanying notes.



**Special Olympics Colorado**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2022**

	Year Ended December 31, 2022					Year Ended December 31, 2021	
	Competitions and Training	Administration and General	Fundraising	Total Operating Expenses	Special Event Expense	Total Expense	Total Expense
Salaries, payroll taxes, and benefits	\$ 2,082,049	\$ 328,183	\$ 647,555	\$ 3,057,787	\$ -	\$ 3,057,787	\$ 2,905,855
Incentives	2,619	-	3,155	5,774	89,116	94,890	145,119
Facilities and occupancy	334,084	58,546	57,261	449,891	-	449,891	360,698
Lodgings, meals, and transportation	306,631	423	8,512	315,566	180	315,746	92,789
Fees, permits, and dues	88,589	10,251	19,777	118,617	76,870	195,487	91,119
Office supplies	45,338	5,499	8,812	59,649	-	59,649	46,044
Postage	10,108	513	2,700	13,321	24	13,345	22,156
Computer	11,676	2,907	3,850	18,433	19,395	37,828	25,521
Event expenses	4,962	-	98,339	103,301	-	103,301	100,346
Uniforms and equipment	444,865	-	1,076	445,941	-	445,941	464,798
Insurance	43,700	6,763	8,960	59,423	-	59,423	55,885
Recognition	76,872	1,445	40,964	119,281	2,268	121,549	153,427
Printing and publications	31,993	592	10,531	43,116	1,555	44,671	57,884
Merchandising	52,368	-	-	52,368	-	52,368	12,373
Advertising	5,505	-	8,126	13,631	145,701	159,332	174,618
Professional fees	-	25,700	3,979	29,679	-	29,679	23,551
Miscellaneous and other expenses	139,835	17,932	91,688	249,455	26,646	276,101	137,363
Payments to SOI	-	85,928	-	85,928	-	85,928	66,205
In-kind materials, facilities, and services	3,416,608	11,000	335,364	3,762,972	85,556	3,848,528	2,254,958
Depreciation	15,141	38,392	3,483	57,016	-	57,016	73,794
<b>Total functional expenses</b>	<b>\$ 7,112,943</b>	<b>\$ 594,074</b>	<b>\$ 1,354,132</b>	<b>\$ 9,061,149</b>	<b>\$ 447,311</b>	<b>\$ 9,508,460</b>	<b>\$ 7,264,503</b>

See accompanying notes.

**Special Olympics Colorado**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2021**

	Year Ended December 31, 2021						Year Ended December 31, 2020
	Competitions and Training	Administration and General	Fundraising	Total Operating Expenses	Special Event Expense	Total	Total
Salaries, payroll taxes, and benefits	\$ 1,953,408	\$ 308,769	\$ 643,678	\$ 2,905,855	\$ -	\$ 2,905,855	\$ 2,880,479
Direct marketing and public education	-	-	-	-	-	-	575
Incentives	3,252	-	3,982	7,234	137,885	145,119	3,111
Facilities and occupancy	273,648	28,308	58,742	360,698	-	360,698	312,808
Lodgings, meals, and transportation	81,218	200	11,098	92,516	273	92,789	191,529
Fees, permits, and dues	60,529	7,154	20,394	88,077	3,042	91,119	62,493
Office supplies	34,189	3,101	8,754	46,044	-	46,044	35,910
Postage	17,194	407	4,550	22,151	5	22,156	10,002
Computer	10,732	1,637	3,446	15,815	9,706	25,521	12,787
Event expenses	7,118	-	79,466	86,584	13,762	100,346	61,553
Uniforms and equipment	464,798	-	-	464,798	-	464,798	254,119
Insurance	42,641	4,265	8,979	55,885	-	55,885	53,861
Recognition	120,706	275	30,235	151,216	2,211	153,427	98,605
Printing and publications	47,651	153	8,816	56,620	1,264	57,884	33,423
Merchandising	7,389	-	4,984	12,373	-	12,373	46,144
Advertising	4,813	527	10,306	15,646	158,972	174,618	15,352
Professional fees	-	23,020	531	23,551	-	23,551	22,926
Miscellaneous and other expenses	63,171	15,864	58,109	137,144	219	137,363	98,662
Payments to SOI	-	66,205	-	66,205	-	66,205	66,878
In-kind materials, facilities, and services	1,811,547	16,433	353,315	2,181,295	73,663	2,254,958	1,531,352
Depreciation	32,605	39,360	1,829	73,794	-	73,794	76,718
<b>Total functional expenses</b>	<b>\$ 5,036,609</b>	<b>\$ 515,678</b>	<b>\$ 1,311,214</b>	<b>\$ 6,863,501</b>	<b>\$ 401,002</b>	<b>\$ 7,264,503</b>	<b>\$ 5,869,287</b>

See accompanying notes.

**Special Olympics Colorado**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 86,492	\$ 616,454
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	57,016	73,794
Contributed investments	-	319
Realized and unrealized loss (gain) on investments	85,497	(31,838)
Noncash lease expense	128,802	-
Change in value of perpetual trust	155,298	(76,036)
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable	(29,642)	(61,336)
Prepaid expenses and deposits	1,828	2,488
Accounts payable	5,447	64,976
Accrued liabilities	21,822	79,002
Deferred revenue	57,337	196,885
Operating lease liabilities	(128,115)	-
Deferred rent	-	(10,784)
	441,782	853,924
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(29,765)	(29,072)
Purchases of investments	(641,098)	(124,643)
	(670,863)	(153,715)
<b>NET (DECREASE) INCREASE IN CASH</b>	(229,081)	700,209
CASH, beginning of year	3,460,460	2,760,251
CASH, end of year	\$ 3,231,379	\$ 3,460,460
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Right-of-use assets obtained in exchange for lease liabilities	\$ 1,193,145	\$ -

See accompanying notes.

# Special Olympics Colorado

## Notes to Financial Statements

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### Note 1 – Nature of Business

Special Olympics Colorado (the Organization) is authorized and accredited by Special Olympics, Inc. (SOI) to provide year-round sports training and athletic competition in a variety of Olympic-type sports for individuals with developmental 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, other Special Olympic Athletes, and the community. The Organization was incorporated in the State of Colorado in 1972 and operated through a central state office with various local programs throughout the state.

### Note 2 – Significant Accounting Policies

**Basis of accounting** – The Organization maintains its accounting records and prepares its financial statements on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America.

**Classification of net assets** – Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors regarding purpose and/or time. Donor restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions if the restriction is satisfied during the year.

**Summarized comparative information** – The financial statements include certain prior year summarized comparative information in total but not by net asset class. December 31, 2021 and 2020 information is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2021 and 2020 financial statements, from which the summarized information was derived.

**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 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.

## Special Olympics Colorado Notes to Financial Statements

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**Contributions** – Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. The gifts are reported as contributions with donor restrictions if they are 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 changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

**Grant revenue** – Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

The Organization is following the guidance of the American Institute of Certified Public Accountants (AICPA) in accounting for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loan funds as a government grant. Government assistance is not recognized until there is reasonable assurance the future event or events are likely to occur, that any conditions attached to the assistance will be met, and the assistance will be received. Once there is reasonable assurance that the conditions will be met, the earnings impact of government grants is recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, an entity would record the cash inflow from the PPP loan as a deferred income liability. Subsequent to initial recognition, an entity would reduce the liability, with the offset through earnings presented in the statement of operations, either separately or under a general heading, as it recognizes the related costs to which the loan relates. The loan is subject to the limited loan forgiveness provisions of the CARES Act and its regulations. During the year ended December 31, 2021, the Organization received a PPP loan for \$475,700. The Organization recognized the loan as grant revenue in the year received, and received confirmation from the SBA that all principal and accrued interest were forgiven.

**Deferred revenue** – Deferred revenue consists of funds received from grants for programs in which the expenses will be incurred in a future period. The revenue will be recognized in applicable future periods when the services are provided and the related expenses are incurred.

**Cash** – The Organization considers all investments with an original maturity of three months or less when purchased to be cash unless they are held for reinvestment as part of the investment portfolio or otherwise encumbered. As of the balance sheet date, and periodically throughout the year, the Organization maintained balances in various deposit accounts in excess of federally insured limits.

## Special Olympics Colorado Notes to Financial Statements

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**Investments** – U.S. Treasury bills and mutual funds with readily determinable market values are recorded at fair value based on quoted prices in active markets and marked to market with any unrealized gain or loss recorded in investment income.

**Property and equipment** – Property and equipment are recorded at cost. The Organization capitalizes property with a cost of \$500 or more. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. Donated fixed assets are capitalized at fair value at the date of donation.

**Contributed facilities, goods, and services** – Contributed facilities and goods are recorded at fair value on the date of donation. If donors stipulate how long these assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulations, contributions of facilities and goods are recorded as without donor restrictions.

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tests that assist the Organization with specific programs and activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services unless they meet the criteria of recognition under GAAP.

**Functional allocation of expenses** – Expenses incurred directly for a program are charged to such program. Certain costs have been allocated between programs and support services on several bases and estimates. Certain wages and benefits have been allocated based on time and effort. Other costs are allocated based on department usage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Advertising expense** – Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$393,092 and \$623,775, respectively, which included \$379,461 and \$608,129 of in-kind contributions, respectively.

**Income taxes** – The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Organization had no unrelated business income during the years ended December 31, 2022 and 2021.

**Comparative amounts** – Certain prior year financial statement amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the financial results.

**Lease obligations** – Effective January 1, 2022, the Organization adopted ASC 842, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition on the statements of operations.

The Organization elected the modified-retrospective transition as of the date of adoption.

## **Special Olympics Colorado**

### **Notes to Financial Statements**

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For leases that commenced before the effective date of ASC 842, the Organization elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Additionally, the Organization elected the practical expedient to not separate lease and non-lease components of a contract for buildings. The Organization also elected to exclude leases with a term of 12 months or less in the recognized ROU assets and lease liabilities when the likelihood of renewal is not probable, and classify such leases as short-term leases.

The Organization determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. The Organization elected upon adoption to utilize the risk-free interest rate at the commencement date in determining the present value of future payments. The ROU asset also includes any lease payments made and initial direct costs incurred and excludes lease incentives (see Note 10).

The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statements of activities and net assets or function expenses. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases (see Note 10).

#### **Subsequent events**

The financial statements and related disclosures include evaluation of events up through and including June 16, 2023, which is the date the financial statements were available to be issued. No items were identified that required disclosure in the financial statements.

#### **Note 3 – Liquidity and Availability of Resources**

The Organization maintains liquid financial assets sufficient to cover 120 days of general expenditures. Financial assets in excess of daily cash requirements are invested mostly in treasury bills.

## Special Olympics Colorado Notes to Financial Statements

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The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include net assets with donor-imposed restrictions (see Note 6) that are intended to fund expenses that are not included in the annual operating budget.

	December 31,	
	2022	2021
Cash	\$ 3,231,378	\$ 3,460,460
Short-term cash investments	943,262	322,717
Accounts receivable	162,235	132,593
Beneficial interest in perpetual trust	560,086	715,384
Quasi-endowment	547,395	612,339
Financial assets at year-end	5,444,356	5,243,493
Less those unavailable for general expenditures within one year due to		
Donor-imposed restrictions	604,185	757,600
Board designations	1,047,395	1,112,339
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,792,776	\$ 3,373,554

### Note 4 – Short-Term Cash Investments

The Organization's short-term cash investments at December 31, 2022 and 2021 consist of \$943,262 and \$320,981 in United States Treasury bills and \$0 and \$1,736 in individual stocks carried at fair value, respectively.

### Note 5 – Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2022 and 2021 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.



## Special Olympics Colorado Notes to Financial Statements

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

### Assets Measured at Fair Value on a Recurring Basis at December 31, 2022

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Outputs (Level 3)	Balance at December 31, 2022
Quasi-endowment	\$ -	\$ -	\$ 547,395	\$ 547,395
United States Treasury bills	943,262	-	-	943,262
Beneficial interest in perpetual trust	-	-	560,086	560,086
<b>Total assets</b>	<b>\$ 943,262</b>	<b>\$ -</b>	<b>\$ 1,107,481</b>	<b>\$ 2,050,743</b>

### Assets Measured at Fair Value on a Recurring Basis at December 31, 2021

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Outputs (Level 3)	Balance at December 31, 2021
Quasi-endowment	\$ -	\$ -	\$ 612,339	\$ 612,339
United States Treasury bills	320,981	-	-	320,981
Mutual funds	1,736	-	-	1,736
Beneficial interest in perpetual trust	-	-	715,384	715,384
<b>Total assets</b>	<b>\$ 322,717</b>	<b>\$ -</b>	<b>\$ 1,327,723</b>	<b>\$ 1,650,440</b>

The Organization values United States Treasury bills, individual stocks, and mutual funds using the closing price reported on the active market on which the individual securities are traded. There were no changes to the valuation methodology during the years ended December 31, 2022 and 2021.

## Special Olympics Colorado Notes to Financial Statements

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Level 3 assets include a perpetual trust (see Note 6) and quasi-endowment (see Note 9) recorded at fair value based on the value of the underlying trust assets and an investment in a pooled fund with the Denver Foundation. The Foundation is invested in a variety of mutual funds and other equity investments. Although those investments might rise to a Level 1 or Level 2 classification on their own, the assets are owned by the Foundation, and the Organization receives an allocated benefit. Therefore, the data sources utilized in these valuation models are considered Level 3 inputs in the fair value hierarchy.

### Note 6 – Beneficial Interest in Assets Held by Third Parties

The Organization is named as the beneficiary of 4% of the assets held in the Jacqueline Grace Archer Charitable Trust (the Trust). The Trust was created to continue in perpetuity. The Organization's interest in the Trust's assets decreased during 2022 by \$155,298 and increased during 2021 by \$76,036, which is recorded on the statement of activities and changes in net assets. The income distributed from the Trust assets to the Organization in 2022 and 2021 totaled \$31,051 and \$25,734, respectively, and is restricted for use in the Colorado Springs area. At December 31, 2022 and 2021, the fair value of the assets held by the Trust for the benefit of the Organization was \$560,086 and \$715,384, respectively, and is included on the statement of financial position as beneficial interest in perpetual trust, which comprises the balance in net assets with donor restrictions.

### Note 7 – Property and Equipment

Property and equipment are summarized as follows as of December 31:

	2022	2021
Program equipment	\$ 136,250	\$ 157,234
Furniture and fixtures	294,434	280,915
Leasehold improvements	88,934	88,934
Gross fixed assets	519,618	527,083
Accumulated depreciation	(361,132)	(341,346)
Total fixed assets	\$ 158,486	\$ 185,737

Depreciation expense for the years ended December 31, 2022 and 2021 was \$57,016 and \$73,794, respectively.

## Special Olympics Colorado

### Notes to Financial Statements

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#### Note 8 – Employee Benefit Plan

The Organization has a tax-sheltered annuity retirement plan (the Plan) covering all eligible full-time employees. Full-time employees are eligible for employer contributions to the Plan on the first day of the month following the later of (1) 90 days following the employee's commencement date or (2) the employee's attainment of age 18. Each plan year, the Organization determines the amount to contribute to the Plan. For the years ended December 31, 2022 and 2021, the Organization made contributions of \$18,669 and \$18,750, respectively, to the Plan. Plan participants are eligible to contribute up to 100% of their earnings, not to exceed the amount established by law.

#### Note 9 – Board-Designated Net Assets

The Organization's board of directors previously voted to set aside \$500,000 as an operating reserve to be used for future program and contingency needs. During 2019, the board of directors voted to establish a quasi-endowment for general operations. The balances of board-designated funds as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 500,000	\$ 500,000
Quasi-endowment	<u>547,395</u>	<u>612,339</u>
Total board-designated net assets	<u>\$ 1,047,395</u>	<u>\$ 1,112,339</u>

The quasi-endowment incurred \$64,944 of net investment loss and earned \$64,586 of net investment income, had contributions of \$0 and \$250,000, and had no distributions for the years ended December 31, 2022 and 2021, respectively. The board of directors have not set a specific investment policy for the quasi-endowment, and it is investment in a pooled investment managed by the Denver Foundation (Foundation). The Foundation is invested in a variety of mutual funds and other equity investments. Distributions from the quasi-endowment require approval of the board of directors. The board of directors monitors the quasi-endowment on a continual basis for consistency of investment philosophy, return relative to objectives, and investment risk. Risk is evaluated as a function of asset concentration, exposure to extreme economic conditions, and performance volatility.

#### Note 10 – Operating Leases

The Organization leases office space under non-cancellable operating lease agreements in the United States. It has been determined that this lease does not constitute a finance lease. Operating lease ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. Any operating lease agreement that includes a renewal option not believed to be reasonably certain at the date of adoption was not included within the lease term. The Organization believes any option to terminate is not reasonably certain for any operating lease agreement.

## Special Olympics Colorado Notes to Financial Statements

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For the year ended December 31, 2022, components of lease expense included operating lease costs of \$243,291 and short-term lease costs of \$7,750.

All components of lease costs are expensed within general and administrative expenses on the statement of operations.

For the year ended December 31, 2022, supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases (including short-term)	\$ 250,354
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,193,145
Weighted-average remaining lease term – operating leases (in years)	8.3
Weighted-average discount rate – operating leases	1.6%

The following is the future maturities of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2022:

	Operating Leases
2023	\$ 147,371
2024	146,048
2025	144,504
2026	146,640
Thereafter	<u>659,880</u>
Total	1,244,443
Less imputed interest	<u>(82,447)</u>
Lease liabilities	<u><u>\$ 1,161,996</u></u>

## Special Olympics Colorado Notes to Financial Statements

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For the year ended December 31, 2021, total rent expense under noncancellable operating leases for office space was approximately \$133,768. Future minimum annual commitments under operating leases as of December 31, 2021 are as follows:

	Operating Leases
2022	\$ 132,569
2023	136,210
2024	140,297
2025	144,505
Thereafter	73,320
Lease liabilities	\$ 626,901

### Note 11 – Related Party Transactions

The Organization is accredited by SOI to conduct Special Olympics activities within the state of Colorado. During 2022 and 2021, the Organization received contribution and grant revenue of \$1,155,562 and \$802,570, respectively, from SOI. The contribution and grant revenue are received by SOI on behalf of the Organization and then remitted to the Organization. During 2022 and 2021, the Organization paid \$85,928 and \$66,205, respectively, to SOI in assessment and conference fees. As of December 31, 2022 and 2021, the Organization had accounts receivable from SOI of \$126,968 and \$127,662, respectively.

SOI conducts the Organization's direct fundraising campaigns; as a result, SOI solicits and collects the direct fundraising campaign proceeds, retains approximately 40% to 50% of funds raised, and forwards the remaining approximately 50% to 60% to the Organization.

### Note 12 – Contributed Services, Goods, and Facilities

Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values on the date of donation. In-kind contributions consisted of the following:

	2022	2021
Revenue		
In-kind contributions	\$ 3,762,972	\$ 2,181,295
Special events, net	85,556	73,663
Total revenue	\$ 3,848,528	\$ 2,254,958
Expenses		
Goods, foods, and supplies	\$ 1,979,738	\$ 984,503
Coaching services	1,024,422	618,687
Advertising	379,461	608,129
Facilities and hotel rooms	464,907	43,639
Total expenses	\$ 3,848,528	\$ 2,254,958