

**Special Olympics Hawaii, Inc.**  
**Financial Statements**  
**December 31, 2018 and 2017**



**AKAMINE, OYADOMARI & KOSAKI**  
CPA'S, INC.

**Special Olympics Hawaii, Inc.**  
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Independent Auditor's Report

To the Board of Directors  
Special Olympics Hawaii, Inc.

**Report on the Financial Statements**

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

***Management's Responsibility 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.

***Auditor's Responsibility***

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Hawaii, Inc. as of December 31, 2018 and 2017, 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.

Honolulu, Hawaii  
July 12, 2019



# Special Olympics Hawaii, Inc.

Statements of financial position  
as of December 31, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,257,447	\$ 1,099,186
Investments (Note C)	3,919	14,515
Receivable from Special Olympics, Inc.	75,000	75,000
Accounts receivable	500,979	210,910
Prepaid expenses and other	63,714	64,801
Construction-in-progress	2,959,674	2,834,976
Equipment, at cost (net of accumulated depreciation of \$119,351 in 2018 and \$105,215 in 2017)	19,686	33,822
Certificate of deposit, restricted (Note C)	500,000	500,000
Total assets	<u>\$ 5,380,419</u>	<u>\$ 4,833,210</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 144,777	\$ 51,347
Accrued expenses and other liabilities	172,498	158,071
Total liabilities	<u>317,275</u>	<u>209,418</u>
Commitments and contingencies (Notes G, K, and L)		
Net assets -		
Without donor restrictions	3,467,029	3,461,597
With donor restrictions (Note D)		
Purpose or time	1,096,115	662,195
Perpetual	500,000	500,000
Total net assets with donor restrictions	<u>1,596,115</u>	<u>1,162,195</u>
Total net assets	<u>5,063,144</u>	<u>4,623,792</u>
Total liabilities and net assets	<u>\$ 5,380,419</u>	<u>\$ 4,833,210</u>

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



**Special Olympics Hawaii, Inc.**  
 Statements of activities  
 for the years ended December 31, 2018 and 2017

	2018	2017
Change in net assets without donor restrictions -		
Revenues:		
Fundraising -		
Special events (Note H)	\$ 1,141,017	\$ 967,985
Contributions	664,938	975,559
Direct marketing contributions (Note H)	218,547	225,778
Merchandise sales	131,655	129,805
Total fundraising revenues	2,156,157	2,299,127
Donated goods and services (Note J)	872,481	945,945
State and County grants (Notes I and L)	447,992	2,325,355
Special Olympics, Inc. grants and projects (Note H)	212,910	180,908
Investment return (Note C)	12,011	10,899
Total revenues without donor restrictions	3,701,551	5,762,234
Net assets released from restrictions:		
Satisfaction of donor restrictions (Note D)	48,053	31,725
Total revenues and other support without donor restrictions	3,749,604	5,793,959
Expenses:		
Program -		
Games	535,266	543,553
Training and other	2,254,650	2,207,431
Total program expenses	2,789,916	2,750,984
Fundraising	700,615	652,968
Management and general	253,641	220,348
Total expenses	3,744,172	3,624,300
Change in net assets without donor restrictions	5,432	2,169,659
Change in net assets with donor restrictions -		
Grants and contributions	481,973	108,072
Net assets released from restrictions (Note D)	(48,053)	(31,725)
Change in net assets with donor restrictions	433,920	76,347
Change in net assets	439,352	2,246,006
Net assets at beginning of year	4,623,792	2,377,786
Net assets at end of year	\$ 5,063,144	\$ 4,623,792

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



**Special Olympics Hawaii, Inc.**  
Statement of functional expenses  
for the year ended December 31, 2018

	Program			Fundraising			Management and General	Total
	Games	Training and Other	Total Program	Special Events	Capital Campaign	Total Fundraising		
Salaries	\$ -	\$ 672,423	\$ 672,423	\$ 104,876	\$ -	\$ 104,876	\$ 86,781	\$ 864,080
Employee benefits	-	126,013	126,013	25,213	-	25,213	23,180	174,406
Payroll taxes	-	52,576	52,576	8,457	-	8,457	6,902	67,935
Total salaries and related expenses	-	851,012	851,012	138,546	-	138,546	116,863	1,106,421
Donated goods and services (Note J)	46,172	750,498	796,670	27,311	-	27,311	-	823,981
Professional fees and contract services	25,237	96,073	121,310	53,206	77,906	131,112	56,027	308,449
Air travel and transportation	168,088	84,322	252,410	10,036	-	10,036	4,579	267,025
Lodging and meals	126,483	56,697	183,180	32,371	42	32,413	4,618	220,211
Office rental	3	127,199	127,202	43,947	9,290	53,237	37,251	217,690
Facilities rental	58,278	14,310	72,588	56,417	-	56,417	-	129,005
Uniforms - athletes	41,600	76,541	118,141	-	-	-	-	118,141
Cost of merchandise sold	23,520	4,112	27,632	89,108	-	89,108	-	116,740
Supplies	26,655	41,420	68,075	23,325	-	23,325	20,247	111,647
Uniforms - volunteers	-	-	-	75,347	-	75,347	1,508	76,855
Special Olympics, Inc. assessment	-	40,153	40,153	-	-	-	-	40,153
Awards and grants	11,502	12,539	24,041	11,530	-	11,530	-	35,571
Equipment repairs and maintenance	-	24,001	24,001	2,179	-	2,179	2,827	29,007
Telemarketing fees (Note H)	-	13,055	13,055	13,055	-	13,055	-	26,110
Insurance	-	12,737	12,737	1,307	5,419	6,726	1,375	20,838
Printing and publications	1,606	2,128	3,734	9,824	441	10,265	517	14,516
Telephone	-	11,250	11,250	1,307	-	1,307	1,801	14,358
Postage and shipping	165	4,739	4,904	629	-	629	2,197	7,730
Meetings and conferences	925	5,263	6,188	-	-	-	-	6,188
Dues and subscriptions	-	4,366	4,366	-	-	-	370	4,736
Other	5,032	8,457	13,489	17,993	-	17,993	3,182	34,664
Total expenses before depreciation	535,266	2,240,872	2,776,138	607,438	93,098	700,536	253,362	3,730,036
Depreciation	-	13,778	13,778	79	-	79	279	14,136
Total expenses	\$ 535,266	\$ 2,254,650	\$ 2,789,916	\$ 607,517	\$ 93,098	\$ 700,615	\$ 253,641	\$ 3,744,172

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



**Special Olympics Hawaii, Inc.**  
Statement of functional expenses  
for the year ended December 31, 2017

	Program			Fundraising			Management and General	Total
	Games	Training and Other	Total Program	Special Events	Capital Campaign	Total Fundraising		
Salaries	\$ -	\$ 676,627	\$ 676,627	\$ 105,492	\$ -	\$ 105,492	\$ 91,245	\$ 873,364
Employee benefits	-	82,786	82,786	18,123	-	18,123	11,298	112,207
Payroll taxes	-	49,604	49,604	7,822	-	7,822	6,483	63,909
Total salaries and related expenses	-	809,017	809,017	131,437	-	131,437	109,026	1,049,480
Donated goods and services (Note J)	78,050	810,611	888,661	57,284	-	57,284	-	945,945
Professional fees and contract services	19,668	78,301	97,969	62,467	86,028	148,495	47,446	293,910
Air travel and transportation	180,810	83,523	264,333	6,875	17	6,892	2,458	273,683
Lodging and meals	132,994	32,270	165,264	25,938	-	25,938	2,021	193,223
Office rental	-	134,858	134,858	37,922	24	37,946	36,070	208,874
Facilities rental	72,699	11,666	84,365	17,226	-	17,226	-	101,591
Uniforms - athletes	22,765	61,527	84,292	-	-	-	-	84,292
Cost of merchandise sold	9,737	906	10,643	80,966	-	80,966	-	91,609
Supplies	15,402	40,624	56,026	15,500	-	15,500	10,866	82,392
∞ Uniforms - volunteers	-	-	-	64,265	-	64,265	-	64,265
Special Olympics, Inc. assessment	-	36,151	36,151	-	-	-	-	36,151
Awards and grants	4,079	15,950	20,029	19,067	-	19,067	288	39,384
Equipment repairs and maintenance	49	13,807	13,856	1,676	-	1,676	2,310	17,842
Telemarketing fees (Note H)	-	16,418	16,418	16,418	-	16,418	-	32,836
Insurance	-	12,923	12,923	1,326	5,498	6,824	1,395	21,142
Printing and publications	2,649	3,652	6,301	7,412	-	7,412	728	14,441
Telephone	-	11,038	11,038	1,460	-	1,460	1,466	13,964
Postage and shipping	7	6,003	6,010	869	26	895	1,284	8,189
Meetings and conferences	-	3,100	3,100	-	-	-	59	3,159
Dues and subscriptions	-	4,491	4,491	-	-	-	-	4,491
Other	4,644	6,147	10,791	13,040	-	13,040	4,457	28,288
Total expenses before depreciation	543,553	2,192,983	2,736,536	561,148	91,593	652,741	219,874	3,609,151
Depreciation	-	14,448	14,448	227	-	227	474	15,149
Total expenses	<u>\$ 543,553</u>	<u>\$ 2,207,431</u>	<u>\$ 2,750,984</u>	<u>\$ 561,375</u>	<u>\$ 91,593</u>	<u>\$ 652,968</u>	<u>\$ 220,348</u>	<u>\$ 3,624,300</u>

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





**Special Olympics Hawaii, Inc.**  
 Statements of cash flows  
 for the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities -		
Change in net assets	\$ 439,352	\$ 2,246,006
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,136	15,149
Capitalized contributed services (Note J)	(48,500)	-
Change in cumulative unrealized appreciation of investments, net	-	256
Change in receivable from Special Olympics, Inc.	-	(25,000)
Change in accounts receivable	(290,069)	(93,048)
Change in prepaid expenses and other	1,087	(6,979)
Change in accounts payable	43,430	(14,093)
Change in accrued expenses and other liabilities	14,427	119,771
Net cash provided by operating activities	173,863	2,242,062
Cash flows from investing activities -		
Decrease in investments	10,596	32,087
Construction-in-progress	(26,198)	(2,269,598)
Net cash used by investing activities	(15,602)	(2,237,511)
Net increase in cash and cash equivalents	158,261	4,551
Cash and cash equivalents at beginning of year	1,099,186	1,094,635
Cash and cash equivalents at end of year	\$ 1,257,447	\$ 1,099,186
Supplemental disclosure of non-cash investing activity -		
Accrued expenses incurred for construction-in-progress	\$ 50,000	\$ 50,000
Contributed services capitalized to construction-in-progress	\$ 48,500	\$ -

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



## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE A - ORGANIZATION

Special Olympics Hawaii, Inc. (the Organization) is a nonprofit organization incorporated in 1972, pursuant to the laws of the State of Hawaii, primarily to provide opportunities for physical activities, sports training, and athletic competitive programs for children and adults with intellectual disabilities. The Organization is accredited with Special Olympics, Inc. to conduct Special Olympics activities within the State of Hawaii. The Organization's programs are provided both statewide and through its nine district areas. The Organization receives public support primarily through individuals, corporations, governmental entities, and other organizations in the State of Hawaii.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting -

The financial statements of Special Olympics Hawaii, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America.

##### Cash, Cash Equivalents, and Short-term Cash Investments -

The Organization considers all certificates of deposits with initial maturities of three months or less to be cash equivalents.

The Organization maintains its cash and cash equivalents at four Hawaii based financial institutions. The Federal Deposit Insurance Corporation provides insurance coverage up to \$250,000 for its accounts at these financial institutions. At December 31, 2017, the Organization's cash and cash equivalents also included \$22,058 in an uninsured money market account with a securities firm. The Organization did not have assets in this account at December 31, 2018.

Total uninsured cash, cash equivalents, and short-term cash investments at December 31, 2018 and 2017, approximated \$1,381,000 and \$1,158,000, respectively.

##### Accounts Receivable -

The Organization carries its accounts receivable at cost. Management has reviewed the collectability of its receivables and has written off any uncollectible amounts. Management believes that no allowance for doubtful accounts was necessary at December 31, 2018 and 2017.

At December 31, 2018, receivable balances for private foundations, county governments, and the State of Hawaii amounted to 44%, 21%, and 19% of accounts receivable, respectively. At December 31, 2017, receivable balances from private foundations, county governments, and the State of Hawaii amounted to 34%, 39%, and 24% of accounts receivable, respectively.

##### Investments -

Investments in securities traded on national securities exchanges are valued at the last reported sale price on the last business day of the year or at the last bid price if no sale was reported on that date. Securities traded in the over-the-counter market are valued at the last reported bid price.



## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Investments - (continued)

The basis on which cost was determined in computing gross realized gains and losses was the specific identification method.

##### Construction-in-Progress -

The cost of buildings under construction at the end of the year is included in construction-in-progress. Costs incurred which are necessary to prepare the building for its intended use are capitalized. Expenditures of incomplete construction projects are not depreciated until placed in service. Projects are removed from construction-in-progress and depreciation begins when a project is placed in service.

##### Equipment and Depreciation -

Acquisitions of equipment are capitalized at cost, if purchased, or at the fair market value on the date of donation, if contributed. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis.

Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

##### Net Assets without Donor Restrictions -

The Organization reports contributions as revenues without donor restrictions unless donor restrictions specify how the donated assets must be used.

##### Net Assets with Donor Restrictions - Purpose or Time -

The Organization reports gifts of cash and other assets as donor restricted support 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 activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period as when received are reported as revenues without donor restrictions.

##### Net Assets with Donor Restrictions - Perpetual -

The Organization reports as net assets with perpetual donor restrictions gifts and bequests which have been accepted with the donor's stipulation that the principal be maintained intact in perpetuity with only the income to be utilized.

At December 31, 2018 and 2017, the Organization has a \$500,000 donor-restricted endowment from the Harry and Jeanette Weinberg Foundation established for neighbor island regional sports tournaments. As stipulated by the donor, the Organization must maintain the contributed cash in a separate bank account controlled by the Harry and Jeanette Weinberg Foundation.



## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Net Assets with Donor Restrictions - Perpetual - (continued)

In 2010, the State of Hawaii (the State) enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and imposes additional duties on those who manage and invest charitable funds. The Organization has determined that UPMIFA had no impact on the Organization's accounting or financial reporting of its permanent endowment.

The Board of Directors has interpreted the State's enacted version of UPMIFA as requiring the preservation of the historical dollar value of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual donor restrictions (a) the original value of a gift to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 that is not classified in net assets with perpetual donor restrictions is classified as net assets with donor restrictions for purpose or time until those amounts are appropriated for expenditure.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of 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, and (7) the investment policies of the Organization.

The Organization has a policy of appropriating for expenditure each year all investment income generated from the endowment, which amounted to approximately \$11,000 in both 2018 and 2017, and are presented as revenues without donor restrictions on the statements of activities. There were no changes in the endowment in 2018 or 2017, and there were no board designated endowments at December 31, 2018 or 2017.

##### Donated Goods and Services -

The Organization has reflected in the financial statements donated goods and services received in connection with the Organization's program and fundraising activities which meet the revenue recognition criteria under accounting principles generally accepted in the United States of America (see Note J). The substantial amount of other donated goods and services received in connection with the Organization's activities which do not meet the revenue recognition criteria are not reflected in the financial statements.

##### Use of Estimates -

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's estimates and judgments. Actual results could differ from those estimates.



## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE C - INVESTMENTS

The Organization's investments were comprised of the following at December 31, 2018 and 2017:

	2018	2017
U.S. Treasury Bond	\$ -	\$ 10,596
Certificates of Deposit	3,919	3,919
Certificate of Deposit, restricted	500,000	500,000
Total investments	<u>\$ 503,919</u>	<u>\$ 514,515</u>

The U.S. Treasury bond had an unrealized loss of \$2 at December 31, 2017.

The return on the Organization's investments was comprised of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Interest	\$ 12,009	\$ 11,155
Change in market value, net	2	(256)
Total	<u>\$ 12,011</u>	<u>\$ 10,899</u>

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Various valuation methodologies are used to value assets measured at fair value. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs used for valuing securities are not an indication of the risk associated with investing in those securities.



## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE C - INVESTMENTS (continued)

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 fair value measurement at the reporting date.

At December 31, 2018 and 2017, investments of the Organization were valued based on Level 1 inputs.

#### NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions were restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Capital Campaign	\$ 768,218	\$ 512,330
Unified Champion Schools	102,897	101,812
Other	-	48,053
	<u>871,115</u>	<u>662,195</u>
Subject to expenditure for capital campaign and subject to the passage of time:		
For 2019	75,000	-
For 2020	125,000	-
For 2021	25,000	-
	<u>225,000</u>	<u>-</u>
Not subject to appropriation or expenditure:		
Weinberg Foundation Endowment	<u>500,000</u>	<u>500,000</u>
<b>Total</b>	<b><u>\$ 1,596,115</u></b>	<b><u>\$ 1,162,195</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restriction or the passage of time specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Capital Campaign	\$ -	\$ 21,225
Other	48,053	10,500
<b>Total restrictions released</b>	<b><u>\$ 48,053</u></b>	<b><u>\$ 31,725</u></b>

#### NOTE E - TAX STATUS

Special Olympics Hawaii, Inc. is recognized by the Internal Revenue Service as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tax years from 2015 through 2018 remain subject to examination by taxing authorities.



## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE F - ALLOCATION OF EXPENSES

The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Substantially all of the Organization's costs have been allocated between the program, management and general, and fundraising activities benefited.

#### NOTE G - OPERATING LEASES

Special Olympics Hawaii, Inc. leases office space under a noncancelable operating lease which expires in June 2019, with month-to-month occupancy thereafter. Subsequent to year end, the lease was extended to expire in June 2020. The Organization also leases warehouse space under a noncancelable lease agreement which expires in August 2020 and certain office equipment under a noncancelable lease agreement which expires in July 2020.

The future minimum rental commitments under these noncancelable leases were as follows:

<u>Year ending December 31,</u>	<u>Office</u>	<u>Warehouse</u>	<u>Equipment</u>
2019	\$ 58,000	\$ 45,000	\$ 5,000
2020	-	30,000	3,000
Total	<u>\$ 58,000</u>	<u>\$ 75,000</u>	<u>\$ 8,000</u>

In addition to the above, the Organization leases, on a month-to-month basis, office and other space for its programs.

#### NOTE H - PUBLIC SUPPORT

Contributions received in connection with fundraising events, including proceeds from donated items sold at fundraising events, are classified as special events revenue on the statements of activities. During 2018 and 2017, the Organization recognized approximately \$23,000 and \$21,000, respectively, as revenue from the sale of donated items.

The Organization is the beneficiary of several special events sponsored by other organizations. Substantially all of the direct costs of these events are paid by the sponsoring organizations.

The Organization has an agreement with Special Olympics, Inc., which conducts direct mail, phone, and online campaigns nationwide and in the State of Hawaii, to increase public knowledge and awareness of the Organization's mission and activities. Special Olympics, Inc. pays for all costs of the direct marketing campaign and the Organization is a beneficiary of a portion of the net proceeds of the Hawaii campaign. For the fiscal years ended December 31, 2018 and 2017, the Organization received approximately \$158,000 and \$156,000, respectively, under this agreement. These amounts are included in direct marketing contributions. The Organization also received \$212,000 and \$219,000 in connection with specified programs from Special Olympics, Inc. during the fiscal years ended December 31, 2018 and 2017, respectively. Unexpended amounts from these grants are included in net assets with donor restrictions.

The Organization also has an agreement with a telemarketer for telemarketing services to businesses in the State of Hawaii. For the years ended December 31, 2018 and 2017, total contributions received from telemarketing were approximately \$61,000 and \$70,000, respectively. These amounts are



## **Special Olympics Hawaii, Inc.**

### Notes to financial statements

#### NOTE H - PUBLIC SUPPORT (continued)

included in direct marketing contributions. Telemarketing fees retained by the telemarketer approximated \$26,000 and \$33,000 during 2018 and 2017, respectively. These amounts are allocated between program and fundraising expenses.

#### NOTE I - GRANT AGREEMENTS

The Organization is the recipient of several reimbursement-type grants awarded by the Counties of Honolulu, Maui, and Hawaii. For 2018 and 2017, county grants aggregated approximately \$212,000 and \$151,000, respectively. The Organization has a grant with the State of Hawaii Department of Education (DOE) for services to be provided by the Organization. For the years ended December 31, 2018 and 2017, revenue from the DOE grants aggregated \$87,000 each year.

#### NOTE J - DONATED GOODS AND SERVICES

Accounting principles generally accepted in the United States of America provide that under certain criteria, donated goods and services provided to an organization by individuals should be recognized as revenues and expenses by the organization.

During 2018 and 2017, Special Olympics Hawaii, Inc. received donated services from coaches that met the revenue recognition criteria; accordingly, the Organization has recorded these donated services as non-cash contribution revenues and program expenses. For 2018 and 2017, these donated services had a fair market value of approximately \$703,000 and \$792,000, respectively.

The Organization also received contributions of gifts in-kind, use of equipment and facilities, and professional services which meet the criteria for recognition under accounting principles generally accepted in the United States of America. These contributions had a fair market value of approximately \$169,000 and \$153,000 for 2018 and 2017, respectively, and are recorded as non-cash contribution revenue and program or fundraising expenses. An additional \$48,500 of contributed construction management services were capitalized to construction-in-progress in 2018.

Proceeds from the sale of donated items, which were sold at fundraisers, are recognized as special events revenue on the statements of activities and are not included in donated goods and services revenue.

#### NOTE K - EMPLOYEE BENEFIT PLAN

In 2002, the Organization established a 401(k) Retirement Savings Plan (the Plan), which covers substantially all employees, subject to certain age and service requirements. The Plan provides for participants to make elective deferrals up to the maximum amount allowable by the IRS. The Plan also provides for the Organization to make discretionary matching and profit-sharing contributions to the Plan. Participant contributions are fully vested. Employees vest in Organization contributions at a rate of 20% per year of qualified service as defined in the Plan document. The Organization approved a \$50,000 discretionary contribution for 2018 which is payable to the Plan in 2019. The Organization also approved a \$50,000 discretionary contribution for 2017 which was paid to the Plan in 2018.





## Special Olympics Hawaii, Inc.

### Notes to financial statements

#### NOTE L - SPORTS AND WELLNESS CENTER

On August 1, 2011, the Department of Hawaiian Home Lands, State of Hawaii, entered into a 45 year license agreement with the Organization for the use of a parcel of Hawaiian Home Lands in East Kapolei, Oahu. The Organization plans to build a multi-purpose sports, education, fitness and wellness facility on that parcel, with an emphasis on providing accessible facilities to persons with intellectual disabilities to showcase their abilities. The Organization makes monthly payments of \$1,000.

The Organization has entered into various agreements with construction, design, and professional service firms in connection with the development of the new facility. As of December 31, 2018, the Organization had approximately \$85,000 of commitments outstanding related to the new facility. The initial phase is expected to be completed in 2019.

In June 2014, the Organization entered a contract with the Office of Community Services, State of Hawaii, for a \$1,500,000 grant toward the construction of the new facility. The grant was payable on a cost-reimbursement basis. The Organization recognizes revenue from this grant as reimbursable expenses are incurred, which amounted to approximately \$1,087,000 for the year ended December 31, 2017. All grant funds were obligated as of December 31, 2017.

In December 2016, the Organization entered into a contract with the City and County of Honolulu for a \$1,000,000 cost-reimbursement grant toward the construction of the new facility. The funds were passed through the City and County from the U.S. Department of Housing and Urban Development's Community Development Block Grant Program. The Organization recognizes revenue from this grant as reimbursable expenses are incurred, which amounted to \$1,000,000 for the year ended December 31, 2017. All grant funds were obligated as of December 31, 2017.

#### NOTE M - LIQUIDITY

The Organization's financial assets as of December 31, 2018 consist of cash of \$1,257,000, investments of \$4,000, a receivable from Special Olympics, Inc. of \$75,000, and accounts receivable of \$461,000. Donor-imposed restrictions of approximately \$971,000 reduce the amounts available for general use. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. Net financial assets of approximately \$826,000 are available within one year of the statement of financial position date to meet cash needs for general expenditures.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including U.S. Treasury bonds and certificates of deposit.

#### NOTE N - SUBSEQUENT EVENTS

The Organization has reviewed all events that have occurred from January 1, 2019 through July 12, 2019, the date the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

