

Special Olympics Hawaii, Inc.
Financial Statements
December 31, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Akamine, Oyadomari & Kosaki CPAs, Inc.

Honolulu, Hawaii

August 24, 2020



Special Olympics Hawaii, Inc.

Statements of financial position
as of December 31, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,652,837	\$ 1,257,447
Certificate of deposit	-	3,919
Receivable from Special Olympics, Inc.	73,018	75,000
Accounts receivable	58,161	500,979
Prepaid expenses and other	75,483	63,714
Construction-in-progress	3,019,084	2,959,674
Equipment, at cost (net of accumulated depreciation of \$106,858 in 2019 and \$119,351 in 2018)	18,828	19,686
Certificate of deposit, restricted (Note B)	500,000	500,000
Total assets	<u>\$ 5,397,411</u>	<u>\$ 5,380,419</u>
	<u>Liabilities and Net Assets</u>	
Accounts payable	\$ 79,796	\$ 144,777
Accrued expenses and other liabilities	51,648	172,498
Total liabilities	<u>131,444</u>	<u>317,275</u>
Commitments and contingencies (Notes G, K, and L)		
Net assets -		
Without donor restrictions	3,537,990	3,467,029
With donor restrictions (Note D)		
Purpose or time	1,227,977	1,096,115
Perpetual	500,000	500,000
Total net assets with donor restrictions	<u>1,727,977</u>	<u>1,596,115</u>
Total net assets	<u>5,265,967</u>	<u>5,063,144</u>
Total liabilities and net assets	<u>\$ 5,397,411</u>	<u>\$ 5,380,419</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, 2019 and 2018

	2019	2018
Change in net assets without donor restrictions -		
Revenues:		
Fundraising -		
Special events (Note H)	\$ 1,069,015	\$ 1,141,017
Contributions	959,389	664,938
Direct marketing contributions (Note H)	221,993	218,547
Merchandise sales	94,797	131,655
Total fundraising revenues	2,345,194	2,156,157
Donated goods and services (Note J)	995,873	872,481
State and County grants (Note I)	292,976	447,992
Special Olympics, Inc. grants and projects (Note H)	150,207	212,910
Investment return	10,865	12,011
Total revenues without donor restrictions	3,795,115	3,701,551
Net assets released from restrictions:		
Satisfaction of donor restrictions (Note D)	32,035	48,053
Total revenues and other support without donor restrictions	3,827,150	3,749,604
Expenses:		
Program -		
Games	482,197	535,516
Training and other	2,246,922	2,175,285
Total program expenses	2,729,119	2,710,801
Fundraising	674,743	700,615
Management and general	352,327	332,756
Total expenses	3,756,189	3,744,172
Change in net assets without donor restrictions	70,961	5,432
Change in net assets with donor restrictions -		
Grants and contributions	131,430	407,417
State and county grants	32,467	74,556
Net assets released from restrictions (Note D)	(32,035)	(48,053)
Change in net assets with donor restrictions	131,862	433,920
Change in net assets	202,823	439,352
Net assets at beginning of year	5,063,144	4,623,792
Net assets at end of year	\$ 5,265,967	\$ 5,063,144

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, 2019

	Program			Fundraising			Management and General	Total
	Games	Training and Other	Total Program	Special Events	Capital Campaign	Total Fundraising		
Salaries	\$ -	\$ 695,886	\$ 695,886	\$ 125,863	\$ -	\$ 125,863	\$ 112,723	\$ 934,472
Employee benefits	-	112,225	112,225	21,661	-	21,661	16,111	149,997
Payroll taxes	-	57,542	57,542	9,715	-	9,715	7,473	74,730
Total salaries and related expenses	-	865,653	865,653	157,239	-	157,239	136,307	1,159,199
Donated goods and services (Note J)	57,147	863,265	920,412	26,961	-	26,961	-	947,373
Professional fees and contract services	18,117	26,020	44,137	89,384	77,160	166,544	129,956	340,637
Office rental	-	133,059	133,059	45,296	21,342	66,638	39,790	239,487
Air travel and transportation	143,790	57,160	200,950	5,449	-	5,449	1,639	208,038
Lodging and meals	130,576	22,096	152,672	20,060	42	20,102	1,653	174,427
Facilities rental	58,161	15,152	73,313	33,887	-	33,887	-	107,200
Awards, incentives, and gifts	18,920	58,516	77,436	17,920	-	17,920	751	96,107
Supplies	15,833	33,423	49,256	17,426	18	17,444	18,671	85,371
Cost of merchandise sold	8,146	338	8,484	57,727	-	57,727	-	66,211
Uniforms - athletes	28,481	35,285	63,766	-	-	-	-	63,766
Uniforms - volunteers	-	-	-	63,589	-	63,589	104	63,693
Special Olympics, Inc. assessment	-	38,980	38,980	-	-	-	-	38,980
Telemarketing fees (Note H)	-	14,116	14,116	14,116	-	14,116	-	28,232
Equipment rental and repairs	1,341	21,003	22,344	1,822	-	1,822	3,055	27,221
Insurance	200	17,367	17,567	2,774	199	2,973	1,494	22,034
Meetings and conferences	-	7,135	7,135	4,017	-	4,017	8,951	20,103
Telephone	-	11,500	11,500	1,747	-	1,747	2,011	15,258
General excise taxes and merchant fees	-	2,589	2,589	6,080	-	6,080	5,480	14,149
Printing and publications	1,222	1,587	2,809	9,532	441	9,973	690	13,472
Postage and shipping	263	4,973	5,236	491	-	491	1,567	7,294
Dues and subscriptions	-	2,554	2,554	24	-	24	41	2,619
Total expenses before depreciation	482,197	2,231,771	2,713,968	575,541	99,202	674,743	352,160	3,740,871
Depreciation	-	15,151	15,151	-	-	-	167	15,318
Total expenses	\$ 482,197	\$ 2,246,922	\$ 2,729,119	\$ 575,541	\$ 99,202	\$ 674,743	\$ 352,327	\$ 3,756,189

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	17,198	42,435	53,524	77,906	131,430	135,142	309,007
Office rental	3	127,199	127,202	43,947	9,290	53,237	37,251	217,690
Air travel and transportation	168,338	84,072	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
Facilities rental	58,278	14,070	72,348	56,417	-	56,417	-	128,765
Awards, incentives, and gifts	16,534	18,415	34,949	17,490	-	17,490	6	52,445
Supplies	25,443	37,582	63,025	23,325	-	23,325	20,247	106,597
Cost of merchandise sold	23,520	4,031	27,551	82,757	-	82,757	-	110,308
∞ Uniforms - athletes	41,600	76,622	118,222	-	-	-	-	118,222
Uniforms - volunteers	-	-	-	81,698	-	81,698	1,508	83,206
Special Olympics, Inc. assessment	-	40,153	40,153	-	-	-	-	40,153
Telemarketing fees (Note H)	-	13,055	13,055	13,055	-	13,055	-	26,110
Equipment rentals and repairs	1,212	27,839	29,051	2,179	-	2,179	2,827	34,057
Insurance	-	12,737	12,737	1,307	5,419	6,726	1,375	20,838
Meetings and conferences	925	5,263	6,188	-	-	-	-	6,188
Telephone	-	11,250	11,250	1,307	-	1,307	1,801	14,358
General excise taxes and merchant fees	-	2,581	2,581	11,715	-	11,715	3,176	17,472
Printing and publications	1,606	2,128	3,734	9,824	441	10,265	517	14,516
Postage and shipping	165	4,739	4,904	629	-	629	2,197	7,730
Dues and subscriptions	-	4,366	4,366	-	-	-	370	4,736
Total expenses before depreciation	535,516	2,161,507	2,697,023	607,438	93,098	700,536	332,477	3,730,036
Depreciation	-	13,778	13,778	79	-	79	279	14,136
Total expenses	<u>\$ 535,516</u>	<u>\$ 2,175,285</u>	<u>\$ 2,710,801</u>	<u>\$ 607,517</u>	<u>\$ 93,098</u>	<u>\$ 700,615</u>	<u>\$ 332,756</u>	<u>\$ 3,744,172</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, 2019 and 2018

	2019	2018
Cash flows from operating activities -		
Change in net assets	\$ 202,823	\$ 439,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,318	14,136
Capitalized contributed services (Note J)	(48,500)	(48,500)
Change in receivable from Special Olympics, Inc.	1,982	-
Change in accounts receivable	442,818	(290,069)
Change in prepaid expenses and other	(11,769)	1,087
Change in accounts payable	(64,981)	43,430
Change in accrued expenses and other liabilities	(120,850)	14,427
Net cash provided by operating activities	416,841	173,863
Cash flows from investing activities -		
Decrease in investments	3,919	10,596
Purchases of equipment	(14,460)	-
Construction-in-progress	(10,910)	(26,198)
Net cash used by investing activities	(21,451)	(15,602)
Net increase in cash and cash equivalents	395,390	158,261
Cash and cash equivalents at beginning of year	1,257,447	1,099,186
Cash and cash equivalents at end of year	\$ 1,652,837	\$ 1,257,447
Supplemental disclosure of non-cash investing activity -		
Accrued expenses incurred for construction-in-progress	\$ -	\$ 50,000
Contributed services capitalized to construction-in-progress	\$ 48,500	\$ 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 Certificates of Deposit -

The Organization considers all certificates of deposits with initial maturities of three months or less to be cash equivalents. Certificates of deposit are recorded at cost.

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. Total uninsured cash, cash equivalents, and certificates of deposit approximated \$1,737,000 and \$1,381,000 at December 31, 2019 and 2018, respectively.

Accounts Receivable -

The Organization reports its accounts receivable at their outstanding balances. 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, 2019 and 2018.

At December 31, 2019, receivable balances from county governments and the State of Hawaii amounted to 55% and 37% of accounts receivable, respectively. At December 31, 2018, receivable balances from private foundations, county governments, and the State of Hawaii amounted to 44%, 21%, and 19% of accounts receivable, respectively.

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.



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019 and 2018, 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.

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



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets with Donor Restrictions - Perpetual - (continued)

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 2019 and 2018, and which are presented as revenues without donor restrictions on the statements of activities. There were no changes in the endowment in 2019 or 2018, and there were no board designated endowments at December 31, 2019 or 2018.

In March 2020, the Weinberg Foundation released the Organization from the restrictions and requirements in the original endowment agreement.

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.

Reclassifications -

Certain balances in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on net assets or the change in net assets as previously reported.



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE C - 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 2016 through 2019 remain subject to examination by taxing authorities.

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019 and 2018, net assets with donor restrictions were restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Capital Campaign	\$ 1,103,649	\$ 768,218
Unified Champion Schools	70,862	102,897
Other	21,000	-
Total purpose restrictions	1,195,511	871,115
Subject to the passage of time:		
Unavailable until due in 2020	32,466	-
Donor-restricted for capital campaign and unavailable until due in:		
2019	-	75,000
2020	-	125,000
2021	-	25,000
Total time restrictions	32,466	225,000
Total purpose or time restrictions	1,227,977	1,096,115
Not subject to appropriation or expenditure:		
Weinberg Foundation Endowment	500,000	500,000
Total	\$ 1,727,977	\$ 1,596,115

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

	2019	2018
Purpose restrictions accomplished:		
Unified Champion Schools	\$ 32,035	\$ -
Other	-	48,053
Total restrictions released	\$ 32,035	\$ 48,053

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.



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE G - OPERATING LEASES

Special Olympics Hawaii, Inc. leases office space under a noncancelable operating lease which expires 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. Subsequent to year-end, the warehouse lease was extended to August 2021, and the office lease was extended to December 2020 with rent abatement for 3 months.

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>
2020	\$ 89,000	\$ 46,000	\$ 3,000
2021	-	31,000	-
Total	<u>\$ 89,000</u>	<u>\$ 77,000</u>	<u>\$ 3,000</u>

In addition to the above, the Organization leases, on a month-to-month basis, office and storage 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 2019 and 2018, the Organization recognized approximately \$19,000 and \$23,000, 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, 2019 and 2018, the Organization received approximately \$167,000 and \$158,000, respectively, under this agreement. These amounts are included in direct marketing contributions. The Organization also received \$150,000 and \$213,000 in connection with specified programs from Special Olympics, Inc. during the fiscal years ended December 31, 2019 and 2018, 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, 2019 and 2018, total contributions received from telemarketing were approximately \$55,000 and \$61,000, respectively. These amounts are included in direct marketing contributions. Telemarketing fees retained by the telemarketer approximated \$28,000 and \$26,000 during 2019 and 2018, respectively. These amounts are allocated between program and fundraising expenses. The telemarketing organization permanently suspended its operations as of December 20, 2019.



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE I - GRANT AGREEMENTS

The Organization is the recipient of several reimbursement-type grants awarded by the Counties of Honolulu, Maui, and Hawaii. For 2019 and 2018, county grants aggregated approximately \$226,000 and \$212,000, 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, 2019 and 2018, 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 2019 and 2018, 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 2019 and 2018, these donated services had a fair market value of approximately \$832,000 and \$703,000, 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 \$115,000 and \$169,000 for 2019 and 2018, 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 both 2019 and 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 was paid to the Plan in 2019. No contribution was approved in 2019.

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



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE L - SPORTS AND WELLNESS CENTER (continued)

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, 2019, the Organization had approximately \$62,000 of commitments outstanding related to the new facility.

NOTE M - LIQUIDITY

The Organization's financial assets as of December 31, 2019 consist of cash of \$1,653,000, a receivable from Special Olympics, Inc. of \$73,000, and other accounts receivable of \$58,000. Donor-imposed restrictions of approximately \$1,195,000 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 \$589,000 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 bank certificates of deposit.

NOTE N - NEW ACCOUNTING PRONOUNCEMENTS

During 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and the subsequently issued ASUs which clarified implementation of ASU 2014-09. The standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanges for those goods or services. Although this standard replaced most existing revenue recognition guidance, the guidance specific to not-for-profit entities has been retained. The Organization assessed its revenue contracts potentially affected by the ASUs and concluded that ASU 2014-09 did not materially change the Organization's revenue recognition method. As a result, the adoption of ASU 2014-09 had no effect on the Organization's net asset balances or changes in net assets as previously reported.

During 2019, the Organization also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies the distinction between exchange transactions and contributions. It also enhances guidance for entities to determine whether a contribution contains a donor-imposed condition or a donor-imposed restriction. The Organization adopted this ASU on a modified prospective basis in 2019; as a result, there was no effect on the Organization's net asset balances or changes in net assets as previously reported. In comparison to 2018, the effect of adopting the new accounting principle was an increase of \$14,967 in accounts receivable and county grants with donor restrictions.



Special Olympics Hawaii, Inc.

Notes to financial statements

NOTE O - SUBSEQUENT EVENTS

The Organization has reviewed all events that have occurred through August 24, 2020, the date the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

On March 23, 2020, in response to health concerns related to COVID-19, the Organization cancelled all practices and sports competition activities until further notice. Fundraising events scheduled during this period were postponed. In addition, the State of Hawaii and all four counties imposed stay-at-home orders and air travel restrictions.

Management expects a significant adverse effect on the Organization's fundraising revenues due to the economic impact of these government measures. No adjustments have been made to the December 31, 2019 financial statements as a result of these events.

