

# **Special Olympics Massachusetts, Inc.**

Financial Report  
December 31, 2018

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## Independent Auditor's Report

RSM US LLP

To the Board of Directors  
Special Olympics Massachusetts, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Massachusetts, Inc. ("SOMA"), 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 SOMA, 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.

### Emphasis of Matter

As discussed in Note 3, SOMA adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. The adoption of the standard resulted in additional footnote disclosures relating to net assets. The adoption was retrospectively applied to January 1, 2017, the earliest year presented. Our opinion is not modified with respect to this matter.

*RSM US LLP*

Boston, Massachusetts  
May 22, 2019

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**Special Olympics Massachusetts, Inc.**

**Statements of Financial Position  
December 31, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 857,161	\$ 1,386,352
Assets limited as to use	62,727	340,493
Contributions receivable	700,812	525,002
Current portion of pledges receivable	-	1,279
Prepaid expenses	31,124	56,338
<b>Total current assets</b>	<b>1,651,824</b>	<b>2,309,464</b>
Noncurrent assets:		
Investments	5,117,023	5,040,793
Contributions receivable, net of current portion	471,374	-
Cash surrender value of life insurance and other assets	854,518	854,518
Land, building and equipment, net	7,415,270	7,593,666
<b>Total noncurrent assets</b>	<b>13,858,185</b>	<b>13,488,977</b>
<b>Total assets</b>	<b>\$ 15,510,009</b>	<b>\$ 15,798,441</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of bonds payable, net of deferred financing charges	\$ 100,362	\$ 103,396
Accounts payable and accrued expenses	163,764	161,228
Deferred revenue	79,852	62,196
<b>Total current liabilities</b>	<b>343,978</b>	<b>326,820</b>
Bonds payable, net of current portion and deferred financing charges	<b>3,361,431</b>	<b>4,456,573</b>
<b>Total liabilities</b>	<b>3,705,409</b>	<b>4,783,393</b>
Net assets:		
Without donor restrictions:		
Undesignated	5,849,247	5,972,976
Board designated	5,117,023	5,040,793
<b>Total net assets without donor restrictions</b>	<b>10,966,270</b>	<b>11,013,769</b>
With donor restrictions:	838,330	1,279
<b>Total net assets</b>	<b>11,804,600</b>	<b>11,015,048</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,510,009</b>	<b>\$ 15,798,441</b>

See notes to financial statements.

Special Olympics Massachusetts, Inc.

Statements of Activities

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without donor restriction	With donor restriction	Total	Without donor restrictions	With donor restrictions	Total
Revenue and other support:						
Corporate donations	\$ 505,858	\$ -	\$ 505,858	\$ 443,697	\$ -	\$ 443,697
Individual and other donations	1,164,566	-	1,164,566	926,913	-	926,913
Heritage telemarketing	117,573	-	117,573	136,773	-	136,773
Fundraising activities	2,611,781	971,374	3,583,155	2,731,128	-	2,731,128
Grants	369,471	-	369,471	517,920	-	517,920
DialAmerica Magazine	6,846	-	6,846	11,830	-	11,830
Program service fees	27,454	-	27,454	41,730	-	41,730
Direct marketing	553,615	-	553,615	571,114	-	571,114
Investment income	126,495	-	126,495	115,982	-	115,982
Other income	15,057	-	15,057	18,999	-	18,999
Net realized and unrealized (losses) gains on investments	(204,175)	-	(204,175)	585,172	-	585,172
Write-off of uncollectible pledges receivable	-	(1,279)	(1,279)	-	(42,500)	(42,500)
Reclassification of donor restricted gift	(133,330)	133,330	-	-	-	-
Net assets released from restrictions	266,374	(266,374)	-	25,250	(25,250)	-
	<b>5,427,585</b>	<b>837,051</b>	<b>6,264,636</b>	<b>6,126,508</b>	<b>(67,750)</b>	<b>6,058,758</b>
In-kind contributions	8,801,475	-	8,801,475	7,882,574	-	7,882,574
<b>Total revenue and other support</b>	<b>14,229,060</b>	<b>837,051</b>	<b>15,066,111</b>	<b>14,009,082</b>	<b>(67,750)</b>	<b>13,941,332</b>
Expenses:						
Program services	12,463,746	-	12,463,746	11,026,458	-	11,026,458
Management and general	458,177	-	458,177	441,332	-	441,332
Fundraising	1,354,636	-	1,354,636	1,347,087	-	1,347,087
<b>Total expenses</b>	<b>14,276,559</b>	<b>-</b>	<b>14,276,559</b>	<b>12,814,877</b>	<b>-</b>	<b>12,814,877</b>
Change in net assets	(47,499)	837,051	789,552	1,194,205	(67,750)	1,126,455
Net assets, beginning of year	11,013,769	1,279	11,015,048	9,819,564	69,029	9,888,593
Net assets, end of year	<b>\$ 10,966,270</b>	<b>\$ 838,330</b>	<b>\$ 11,804,600</b>	<b>\$ 11,013,769</b>	<b>\$ 1,279</b>	<b>\$ 11,015,048</b>

See notes to financial statements.

Special Olympics Massachusetts, Inc.

Statement of Functional Expenses  
Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and stipends	\$ 848,186	\$ 261,505	\$ 513,600	\$ 1,623,291
Competitions	1,546,175	-	-	1,546,175
Fundraising events	-	-	507,843	507,843
50th anniversary celebration	156,093	-	66,897	222,990
Payroll taxes and fringe benefits	191,050	58,903	115,686	365,639
Heritage telemarketing fees	23,822	-	35,734	59,556
Professional fees	-	43,225	-	43,225
Auto and travel expense	21,179	9,185	17,466	47,830
Volunteer and family expense	53,805	-	-	53,805
Telephone	13,423	4,138	8,128	25,689
Special Olympics Incorporated - chapter fee	37,818	37,819	-	75,637
Interest	158,001	3,511	14,044	175,556
Insurance	66,684	1,482	5,928	74,094
Supplies	14,992	4,622	9,078	28,692
Promotional expense	8,040	270	1,608	9,918
Postage	6,949	2,142	4,207	13,298
Technology related expenses	20,529	6,330	12,431	39,290
Souvenirs	66	-	80	146
Conferences	35,668	12,722	4,483	52,873
Training	31,390	-	-	31,390
Repairs and maintenance	78,755	1,750	7,000	87,505
Appreciation	7,394	-	-	7,394
Utilities	86,598	1,924	7,698	96,220
Printing	15,864	353	1,410	17,627
Membership, dues and subscriptions	-	2,967	-	2,967
<b>Total expenses before in-kind and depreciation and amortization</b>	<b>3,422,481</b>	<b>452,848</b>	<b>1,333,321</b>	<b>5,208,650</b>
In-kind expenses	8,801,475	-	-	8,801,475
<b>Total expenses before depreciation and amortization</b>	<b>12,223,956</b>	<b>452,848</b>	<b>1,333,321</b>	<b>14,010,125</b>
Depreciation and amortization	239,790	5,329	21,315	266,434
<b>Total expenses</b>	<b>\$ 12,463,746</b>	<b>\$ 458,177</b>	<b>\$ 1,354,636</b>	<b>\$ 14,276,559</b>

See notes to financial statements.

Special Olympics Massachusetts, Inc.

Statement of Functional Expenses  
Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and stipends	\$ 792,961	\$ 244,405	\$ 520,746	\$ 1,558,112
Competitions	1,299,687	-	-	1,299,687
Fundraising events	-	-	533,314	533,314
Payroll taxes and fringe benefits	180,756	55,712	118,705	355,173
Heritage telemarketing fees	29,278	-	43,917	73,195
Professional fees	-	44,581	-	44,581
Auto and travel expense	18,061	9,847	24,818	52,726
Volunteer and family expense	50,339	-	-	50,339
Telephone	14,704	4,532	9,656	28,892
Special Olympics Incorporated - chapter fee	40,349	40,350	-	80,699
Interest	171,441	3,810	15,239	190,490
Insurance	65,859	1,464	5,854	73,177
Supplies	12,542	3,866	8,237	24,645
Promotional expense	12,648	180	7,320	20,148
Postage	4,811	1,483	3,159	9,453
Technology related expenses	25,567	7,880	16,790	50,237
Souvenirs	1,173	-	1,433	2,606
Conferences	39,669	11,977	4,843	56,489
Training	8,598	-	-	8,598
Repairs and maintenance	41,764	928	3,712	46,404
Appreciation	8,064	-	-	8,064
Utilities	76,324	1,696	6,784	84,804
Printing	11,368	253	1,011	12,632
Membership, dues and subscriptions	-	2,981	-	2,981
<b>Total expenses before in-kind and depreciation and amortization</b>	<b>2,905,963</b>	<b>435,945</b>	<b>1,325,538</b>	<b>4,667,446</b>
In-kind expenses	7,878,074	-	-	7,878,074
<b>Total expenses before depreciation and amortization</b>	<b>10,784,037</b>	<b>435,945</b>	<b>1,325,538</b>	<b>12,545,520</b>
Depreciation and amortization	242,421	5,387	21,549	269,357
<b>Total expenses</b>	<b>\$ 11,026,458</b>	<b>\$ 441,332</b>	<b>\$ 1,347,087</b>	<b>\$ 12,814,877</b>

See notes to financial statements.

**Special Olympics Massachusetts, Inc.**

**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	<u>\$ 789,552</u>	<u>\$ 1,126,455</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	266,434	269,357
Net realized and unrealized losses (gains) on investments	204,175	(585,172)
Non-cash contributions of property, plant and equipment	-	(4,500)
Write-off of uncollectible pledges receivable	1,279	42,500
Donated Securities	(12,367)	(11,843)
Proceeds from sales of donated securities	12,417	11,825
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(647,184)	10,173
Prepaid expenses	25,214	(14,789)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,537	632
Deferred revenue	17,656	2,527
<b>Total adjustments</b>	<u>(129,839)</u>	<u>(279,290)</u>
<b>Net cash provided by operating activities</b>	<u>659,713</u>	<u>847,165</u>
Cash flows from investing activities:		
Purchase of investments	(1,472,069)	(1,195,379)
Proceeds from the sale of investments	1,191,614	1,176,729
Purchase of equipment	(78,226)	(16,699)
<b>Net cash used in investing activities</b>	<u>(358,681)</u>	<u>(35,349)</u>
Cash flows from financing activities:		
Change in assets limited as to use	277,766	(140,519)
Payments of bonds payable	(1,107,989)	(108,735)
Cash received from pledges receivable	-	25,250
<b>Net cash used in financing activities</b>	<u>(830,223)</u>	<u>(224,004)</u>
Net change in cash and cash equivalents	(529,191)	587,812
Cash and cash equivalents:		
Beginning of year	1,386,352	798,540
End of year	<u>\$ 857,161</u>	<u>\$ 1,386,352</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 175,556</u>	<u>\$ 190,490</u>
Supplemental disclosure of non-cash transactions:		
During 2017, the Organization received non-cash contributions of property, plant and equipment totaling \$4,500		

See notes to financial statements.



## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

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

#### A summary of SOMA's significant accounting policies follows:

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

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

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

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

Under the Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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

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

**Level 1:** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

**Level 2:** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

**Level 3:** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

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

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

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

During the years ended December 31, 2018 and 2017, there were no changes to SOMA's valuation techniques that had, or are expected to have, a material impact on its statements of financial position or changes in net assets.

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

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

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

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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

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

Description	Years
Building	39
Capital Improvements	20
Furniture and fixtures	7
Equipment	5-7
Motor vehicles	5
Software	3

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

**Asset retirement obligation:** SOMA follows FASB Accounting Standards Codification (“ASC”) 410, *Asset Retirement and Environmental Obligations*; this standard requires a liability be recorded at fair value specific to certain legal environmental obligations. The recording of a liability is required if such conditions exist and the obligation can be reasonably estimated. As of December 31, 2018 and 2017, SOMA is unaware of any such obligations. SOMA will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate the fair value.

**Impairment of long-lived assets:** Long-lived assets, which consist primarily of property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, SOMA compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the years ended December 31, 2018 and 2017, no impairment indicators were identified.

**Deferred financing charges:** SOMA incurred certain issuance costs related to the issuance of debt, which are being amortized over the term of the debt. In accordance with Accounting Standards Update (“ASU”) 2015-03, *Interest – Imputation of interest (Subtopic 835-30): Simplifying the presentation of debt issuance costs*, these costs are presented on the statements of financial position as a direct deduction from the carrying amount of the associated debt liability.

**Contributions and revenue recognition:** Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Amounts billed or collected prior to satisfying SOMA’s revenue recognition policy are reflected as deferred revenue.

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

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period in which the unconditional promises to give are made. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

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

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

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

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

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

SOMA conducts a telemarketing campaign aimed at businesses. This campaign includes requests for contributions, but also contains educational and public relations components. The joint costs of conducting these types of activities which are not specifically attributable to particular components of the activity included a total of \$59,556 and \$73,195 for 2018 and 2017, respectively. These joint costs are allocated based upon the average program content percentage of the campaign literature. For 2018 and 2017, SOMA allocated \$35,734 and \$43,917, respectively, to fundraising, and \$23,822 and \$29,278, respectively, to program.

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

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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

**Uncertainty of income taxes:** SOMA follows ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. SOMA recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities. Management evaluated SOMA's tax positions and concluded that SOMA has no material uncertainties in income taxes as of December 31, 2018 and 2017. SOMA will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense. SOMA is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2015.

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

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

**Subsequent events:** SOMA has evaluated subsequent events through May 22, 2019, the date the financial statements were available to be issued.

**Recently adopted accounting pronouncements:** During 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in Topic 958 to require SOMA to make reporting changes that effect the following:

- Net asset classifications and related disclosures.
- Additional disclosures for amounts and purposes of board designations.
- Additional disclosures useful in assessing liquidity within one year of the balance sheet date.
- Reporting of net investment return.

The Organization made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 3 and 16. Amounts previously reported for the year ended December 31, 2017 have been reclassified, on a retrospective basis, to achieve consistent presentation. Amounts previously reported as temporarily or permanently restricted net assets have been reclassified to be reported as with donor restrictions.

**Recent accounting pronouncements:** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued 2015-14, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date* and voted to delay the effective date of the proposed standard. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. SOMA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. SOMA is currently evaluating the impact of the adoption of this guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for SOMA on January 1, 2019. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. SOMA is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for SOMA beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. SOMA is currently evaluating the impact of the adoption of this guidance on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Early adoption is permitted. SOMA is currently evaluating the impact of the adoption of this guidance on its financial statements.

#### Note 2. Affiliated Organization

During the year ended December 31, 2016, SOMA entered into a new revenue sharing contract with SOI called the Integrated Direct Marketing Program (IDMP). Under this new contract, SOI performs residential telemarketing, online fundraising and direct mailing and distributes a percentage of the revenue generated to its chapters. Total revenue generated for SOMA under this agreement during the years ended December 31, 2018 and 2017, was \$553,615 and \$571,114, respectively. The balance due from SOI at December 31, 2018 and 2017 was \$121,890 and \$112,516, respectively, and is included in contributions receivable. For the years ended December 31, 2018 and 2017, SOMA paid \$75,637 and \$80,699, respectively, of chapter fees to SOI.

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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#### Note 3. Financial Assets and Liquidity Resources

As of December 31, 2018, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Cash	\$ 857,161
Current contributions receivable	729,438
Total financial assets available within one year	<u>\$ 1,586,599</u>

As part of its liquidity management, the Organization evaluates on an annual basis liquidity requirements taking into consideration operating expectations, capital plans and debt service requirements. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due. In addition, the Organization has board designated assets totaling \$5,117,023 as of December 31, 2018. Although the SOMA does not intend to spend from its board designated assets other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available if necessary.

In addition, the Organization maintains a \$1,500,000 line of credit that is fully available for use as of December 31, 2018. For the periods ended December 31, 2018 and December 31, 2017, the Organization did not draw on the line of credit.

#### Note 4. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset class. The unconditional promises to give are expected to be received within one year and consist mostly of amounts due under that year's telemarketing agreement (see note 15), amounts due from SOI (see note 2), direct mailings and various corporate sponsorships for events that occurred during the year.

	2018	2017
Amounts due in:		
Less than one year	\$ 700,812	\$ 525,002
One to five years	500,000	-
Total contributions receivable, gross	1,200,812	525,002
Less discount for future payments	(28,626)	-
Total contributions receivable, net	1,172,186	525,002
Less current portion, net of discount for future payments	(700,812)	(525,002)
Long-term portion of contributions receivable, net	<u>\$ 471,374</u>	<u>\$ -</u>

Long-term contributions receivable were discounted at an interest rate of 2.49% for the period ended December 31, 2018. One hundred percent of contributions receivable, net of discount, were due from three donors.

**Special Olympics Massachusetts, Inc.**

**Notes to Financial Statements**

**Note 5. Pledges Receivable**

During 2005, SOMA began a capital campaign to further its mission, continue to grow, and construct a 25,000 sq. ft. state-of-the-art headquarters/training center in Marlborough, Massachusetts which was completed in October 2009. Unconditional promises to give related to SOMA's campaign are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. The pledges are due in various payment streams.

	2018	2017
Amounts due in:		
Less than one year	\$ -	\$ 1,279
Total pledges receivable	<u>\$ -</u>	<u>\$ 1,279</u>

**Note 6. Fair Value Measurements**

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

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	\$ 1,584,044	\$ -	\$ -	\$ 1,584,044
International equity securities	236,618	-	-	236,618
Corporate bonds	-	1,249,661	-	1,249,661
U.S. government bonds	-	337,310	-	337,310
Municipal bonds	-	290,920	-	290,920
Exchange-traded mutual funds	1,153,399	-	-	1,153,399
Money market funds	-	265,071	-	265,071
	<u>\$ 2,974,061</u>	<u>\$ 2,142,962</u>	<u>\$ -</u>	<u>\$ 5,117,023</u>
	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	\$ 1,734,846	\$ -	\$ -	\$ 1,734,846
International equity securities	342,710	-	-	342,710
Corporate bonds	-	1,314,191	-	1,314,191
U.S. government bonds	-	243,618	-	243,618
Municipal bonds	-	243,060	-	243,060
Exchange-traded mutual funds	987,762	-	-	987,762
Money market funds	-	174,606	-	174,606
	<u>\$ 3,065,318</u>	<u>\$ 1,975,475</u>	<u>\$ -</u>	<u>\$ 5,040,793</u>



## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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#### Note 7. Land, Building and Equipment

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

	2018	2017
Building and capital improvements	\$ 9,075,298	\$ 9,019,208
Land	407,116	407,116
Furniture and fixtures	106,075	106,075
Equipment	524,985	520,401
Software	359,494	353,894
	<u>10,472,968</u>	<u>10,406,694</u>
Less accumulated depreciation and amortization	<u>(3,057,698)</u>	<u>(2,813,028)</u>
	<u>\$ 7,415,270</u>	<u>\$ 7,593,666</u>

Depreciation expense totaled \$256,623 and \$254,638 for the years ended December 31, 2018 and 2017, respectively.

#### Note 8. Line of Credit

In connection with the issuance of the 2008 Massachusetts Development Finance Agency ("MDFA") Bonds, as discussed in Note 9, SOMA obtained a \$1,500,000 revolving line of credit with a bank that is renewed annually in October. The line of credit is payable on demand and incurs interest at the bank's prime rate (5.50% and 4.50% at December 31, 2018 and 2017, respectively). The line of credit agreement is subject to certain covenants and is secured by a portion of SOMA's investment portfolio. There was no outstanding balance or interest expense as of or for the years ended December 31, 2018 and 2017.

#### Note 9. Bonds Payable

During 2008, SOMA issued series 2008 MDFA revenue bonds maturing on August 21, 2038 with an initial total face value of \$9,444,000. The bonds had an initial fixed interest rate of 4.85%, based on the then Federal Home Loan Bank Rate plus 50 basis points, with a floor of not less than 4.00%, which was reset on August 21, 2018 and will be reset again on August 21, 2028. The bonds were issued and proceeds were used in connection with the construction of SOMA's new sports training and conference center. Interest only payments were required to be made on the bonds outstanding through August 21, 2010, at which point, principal and interest payments were due in monthly installments of \$41,709. The bonds are secured by the assets of SOMA and have certain covenants which are to be tested annually upon receipt of SOMA's financial report. When SOMA sold the Danvers property in April 2010, SOMA was required to make a pay down of \$1,500,000 on the bond. During the first quarter of 2012, SOMA made an additional payment on the bond of \$2,500,000 and refinanced the MDFA revenue bonds. The interest rate was adjusted to a fixed rate of 4.00% for the remainder of the initial period based on the then Federal Home Loan Bank Rate plus 50 basis points, with a floor of not less than 4.00%. There was a contemporaneous re-amortization which resulted in the monthly principal and interest payments starting April 21, 2012 to be reduced to \$24,705. During the third quarter of 2018, SOMA made an additional payment on the bond of \$1,000,000 and the fixed interest rate was reset in accordance with the terms of with the bond agreement. The interest rate was adjusted to a fixed rate of 4.13% for the second period of the bond agreement. There was a contemporaneous re-amortization which resulted in the monthly principal and interest payments starting August 21, 2018 to be reduced to \$20,285. A new monthly payment level will be determined on August 21, 2028 in conjunction with the resetting of the interest rate. The outstanding balance due at December 31, 2018 and 2017 was \$3,461,793 and \$4,569,780, respectively. Interest expense totaled \$170,796 and \$187,730 for the years ended December 31, 2018 and 2017, respectively.

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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#### Note 9. Bonds Payable (Continued)

Bonds payable, net of unamortized deferred financing costs as of December 31 is as follows:

	2018	2017
Current portion of bonds payable	\$ 100,362	\$ 113,207
Current portion of deferred financing charges	-	9,811
	<u>\$ 100,362</u>	<u>\$ 103,396</u>
	2018	2017
Long term portion of bonds payable	\$ 3,361,431	\$ 4,456,573
	<u>\$ 3,361,431</u>	<u>\$ 4,456,573</u>

In addition, under the terms of the bond issuance, SOMA was required to establish and maintain a debt service fund to meet its debt service requirements. The debt service fund is held by the bond trustee and consists of cash and cash equivalents. Assets limited as to use as of December 31, 2018 and 2017 totaled \$62,727 and \$340,493, respectively.

Deferred financing charges of \$0 and \$9,811 at December 31, 2018 and 2017, respectively, represent various costs incurred relative to the issuance of the bonds and are shown net of accumulated amortization of \$147,181 and \$137,370, respectively. These costs were amortized over ten years, through August 2018 when the interest rate and the terms of the bond agreement was reset. There were no additional costs incurred on that date. Amortization expense for the years ended December 31, 2018 and 2017 were \$9,811 and \$14,719, respectively.

Future minimum principal payments are as follows as of December 31, 2018:

2019	\$ 100,362
2020	104,250
2021	109,097
2022	113,754
2023	118,609
Thereafter	<u>2,915,721</u>
	<u>\$ 3,461,793</u>

#### Note 10. Contributed Materials and Facilities

The value of contributed materials and facilities during the years ended December 31, 2018 and 2017 was \$457,508 and \$451,793, respectively.

#### Note 11. Contributed Services

The value of contributed services during the years ended December 31, 2018 and 2017 was \$8,343,967 and \$7,430,781, respectively.

#### Note 12. Operating Lease Obligations

SOMA leases office equipment under operating lease agreements requiring monthly payments ranging from \$169 to \$627 expiring on various dates through December 2023. Lease expense totaled \$3,934 and \$7,836 for the years ended December 31, 2018 and 2017, respectively.

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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#### Note 12. Operating Lease Obligations (Continued)

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

2019	\$	9,552
2020		9,552
2021		7,862
2022		7,524
2023		7,524
		<u>42,014</u>

During the year ended December 31, 2018 SOMA entered into management agreement in which the Organization has contracted a company to manage the SOMA's property in Marlborough, Massachusetts. The agreement requires monthly payments for a contracted term of six months. The expense related to the management agreement totaled \$8,000 for the year ended December 31, 2018. For the year ended December 31, 2017, SOMA did not have a similar agreement in place.

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

2019	\$	<u>4,000</u>
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#### Note 13. Life Insurance Policies

Certain individuals including board members and the former CEO's of SOMA have obtained life insurance policies naming SOMA as beneficiary of the death benefits and any cash surrender value on the policies. The cash surrender value on these policies was \$8,101 at December 31, 2018 and 2017.

In addition, SOMA had purchased a split dollar life insurance policy for the benefit of its former CEO. This individual, who retired from SOMA in March 2013, is the sole owner of the policy and may exercise all ownership rights granted by the terms of the policy, but the existing assignment of the policy to SOMA shall not be revised without the consent of SOMA. The premium for the policy was paid by SOMA during the individual's employment. The final premium paid on the policy was made during the year ended December 31, 2013. SOMA has the right to receive a portion of the policy's benefit, equal to the total amount of its share of the premiums paid, net of the taxable amounts reported to the former CEO, upon death of the insured. The policy can only be terminated through joint approval of both SOMA and the former CEO. Premiums paid to date on the policy as of December 31, 2018 and 2017 totaled \$881,010. The cash surrender value of the policy at December 31, 2018 and 2017 was \$738,569. SOMA has recorded an asset of \$846,417, which is equal to the total premiums paid to date, net of the taxable amounts reported in previous years, as SOMA has no intention to terminate the policy.

#### Note 14. Retirement Benefits

SOMA maintains a defined contribution retirement plan. All employees 21 years of age or older who have completed one year of service and one thousand hours of service are eligible for the plan. During the years ended December 31, 2018 and 2017, SOMA made discretionary contributions, which were approved by the Board, of \$63,012 and \$69,578, respectively, to the plan.

## Special Olympics Massachusetts, Inc.

### Notes to Financial Statements

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#### Note 15. Telemarketing

SOMA has an agreement with The Heritage Co. ("Heritage"), a telemarketing company, for telemarketing and fundraising services aimed at businesses, with the goals of education of the public, identification of potential program athletes, coaches and volunteers, encouragement for support on local levels by way of attendance at athletic events, and current fundraising. Contributions raised through Heritage during the years ended December 31, 2018 and 2017 totaled \$117,573 and \$136,773, respectively. Fees charged by the telemarketing company for fundraising services for the years ended December 31, 2018 and 2017 totaled \$59,556 and \$73,195, respectively. There were no amounts owed to or from Heritage at December 31, 2018 or 2017.

#### Note 16. With Donor Restriction

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

	2018	2017
Contributions – time restrictions	\$ 838,330	\$ -
The Capital Campaign-time restrictions	-	1,279
	<u>\$ 838,330</u>	<u>\$ 1,279</u>

#### Note 17. Net Assets Released from Donor Restrictions

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

	2018	2017
Operating:		
Receipts of Capital Campaign pledges receivable	\$ -	\$ 25,250
Expiration of time restrictions	266,374	-
	<u>\$ 266,374</u>	<u>\$ 25,250</u>



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors  
Special Olympics Massachusetts, Inc.

We have audited the financial statements of Special Olympics Massachusetts ("SOMA") as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon, dated May 22, 2019, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to May 22, 2019.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

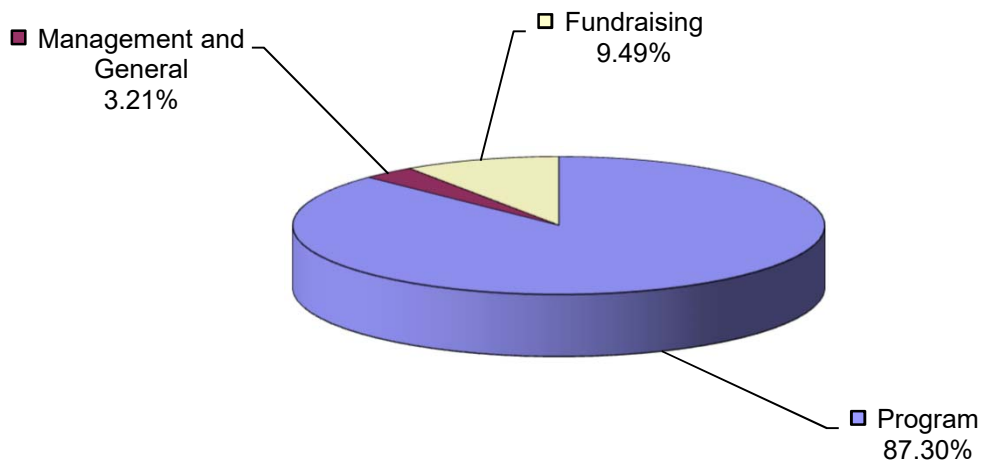
Boston, Massachusetts  
May 22, 2019

**Special Olympics Massachusetts, Inc.**

**Schedule of Expense Percentages  
Year Ended December 31, 2018**

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	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Percentage of total expenses	87.30%	3.21%	9.49%



**Special Olympics Massachusetts, Inc.**

**Schedule of Expense Percentages  
Year Ended December 31, 2017**

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	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Percentage of total expenses	86.05%	3.44%	10.51%

