

**Special Olympics Hawaii, Inc.**  
**Financial Statements**  
**December 31, 2022 and 2021**



**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 Audit of the Financial Statements**

***Opinion***

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Special Olympics Hawaii, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Special Olympics Hawaii, Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Hawaii, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Special Olympics Hawaii, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Hawaii, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

Honolulu, Hawaii  
July 31, 2023



# Special Olympics Hawaii, Inc.

## Statements of Financial Position

December 31, 2022 and 2021

	<u>Assets</u>	
	2022	2021
Cash and cash equivalents	\$ 1,809,341	\$ 1,461,786
Contributions receivable	231,674	22,009
Receivable from Special Olympics, Inc.	42,060	24,596
Prepaid expenses and other	26,487	30,792
Property and equipment -		
Construction-in-progress	913,519	148,117
Building	3,522,004	3,522,004
Land improvements	2,191,987	2,191,987
Equipment	224,619	227,882
Right-of-use land (Note E)	185,475	-
Right-of-use equipment (Note E)	27,649	-
	<u>7,065,253</u>	<u>6,089,990</u>
Less: accumulated depreciation and amortization	<u>(369,225)</u>	<u>(212,607)</u>
Total property and equipment, net	6,696,028	5,877,383
Restricted cash (Note F)	<u>200,000</u>	<u>200,000</u>
Total assets	<u>\$ 9,005,590</u>	<u>\$ 7,616,566</u>
	<u>Liabilities and Net Assets</u>	
Accounts payable	\$ 68,576	\$ 66,172
Accrued expenses and other liabilities	146,769	181,637
Lease liability (Note E)	201,781	-
Notes payable (Note F)	<u>1,263,354</u>	<u>666,874</u>
Total liabilities	<u>1,680,480</u>	<u>914,683</u>
Commitments and contingencies (Notes E and K)		
Net assets -		
Without donor restrictions	6,950,787	6,549,631
With donor restrictions (Note G)	<u>374,323</u>	<u>152,252</u>
Total net assets	<u>7,325,110</u>	<u>6,701,883</u>
Total liabilities and net assets	<u>\$ 9,005,590</u>	<u>\$ 7,616,566</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, 2022 and 2021

	2022	2021
Change in net assets without donor restrictions -		
Revenues:		
Fundraising -		
Contributions of cash and financial assets	\$ 1,206,773	\$ 489,699
Special events	925,707	723,398
Direct marketing contributions (Note I)	175,006	163,354
Merchandise sales	48,061	46,680
Total fundraising revenues	2,355,547	1,423,131
Government grants (Note I)	256,366	689,137
Non-cash contributions (Note J)	449,453	196,843
Special Olympics, Inc. grants and projects (Note I)	437,710	260,702
Interest and other income	6,172	47
Total revenues without donor restrictions	3,505,248	2,569,860
Net assets released from restrictions (Note G):		
Satisfaction of donor restrictions	22,007	509,840
Total revenues and other support without donor restrictions	3,527,255	3,079,700
Expenses:		
Program -		
Games	365,529	52,776
Training and other	1,784,831	1,465,933
Total program expenses	2,150,360	1,518,709
Fundraising	625,050	430,176
Management and general	349,546	328,427
Total expenses	3,124,956	2,277,312
Change in net assets without donor restrictions	402,299	802,388
Change in net assets with donor restrictions -		
Grants and contributions	244,078	78,753
Net assets released from restrictions (Note G)	(22,007)	(509,840)
Change in net assets with donor restrictions	222,071	(431,087)
Change in net assets	624,370	371,301
Net assets at beginning of year, as previously reported	6,701,883	6,330,582
Adoption of new accounting standard (Note E)	(1,143)	-
Net assets at beginning of year, as restated	6,700,740	6,330,582
Net assets at end of year	\$ 7,325,110	\$ 6,701,883

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, 2022

	Program			Fundraising			Management and General	Total
	Games	Training and Other	Total Program	Special Events	Capital Campaign	Total Fundraising		
Salaries	\$ -	\$ 681,989	\$ 681,989	\$ 128,853	\$ -	\$ 128,853	\$ 114,776	\$ 925,618
Employee benefits	-	88,879	88,879	29,978	-	29,978	21,589	140,446
Payroll taxes	-	55,351	55,351	11,845	-	11,845	7,871	75,067
Total salaries and related expenses	-	826,219	826,219	170,676	-	170,676	144,236	1,141,131
Donated goods and services (Note J)	67,549	288,124	355,673	63,780	-	63,780	-	419,453
Professional fees and contract services	27,491	128,201	155,692	65,591	75,257	140,848	84,029	380,569
Occupancy and utilities	57,817	40,953	98,770	43,894	-	43,894	2,152	144,816
Supplies	16,282	72,363	88,645	21,994	837	22,831	25,947	137,423
Lodging and meals	69,614	39,210	108,824	19,273	218	19,491	255	128,570
Facility rental	-	67,498	67,498	7,901	3,000	10,901	32,620	111,019
Air travel and transportation	67,335	35,259	102,594	6,240	-	6,240	319	109,153
Uniforms - volunteers	-	-	-	70,664	-	70,664	32	70,696
Awards, incentives, and gifts	10,258	44,675	54,933	9,004	-	9,004	1,152	65,089
Uniforms - athletes	30,402	30,528	60,930	-	-	-	-	60,930
Special Olympics, Inc. assessment	-	39,612	39,612	-	-	-	-	39,612
Cost of merchandise sold	14,285	1,207	15,492	21,149	-	21,149	-	36,641
General excise taxes and merchant fees	-	1,336	1,336	10,885	-	10,885	18,112	30,333
Insurance	650	18,240	18,890	6,734	-	6,734	1,906	27,530
Equipment rentals and repairs	280	19,880	20,160	1,556	-	1,556	892	22,608
Meetings and conferences	1,800	8,550	10,350	1,284	-	1,284	-	11,634
Postage and shipping	211	6,713	6,924	2,613	-	2,613	1,221	10,758
Telephone	-	6,476	6,476	289	-	289	709	7,474
Printing and publications	1,555	619	2,174	960	-	960	-	3,134
Dues and subscriptions	-	2,913	2,913	-	-	-	-	2,913
Total expenses before depreciation	365,529	1,678,576	2,044,105	524,487	79,312	603,799	313,582	2,961,486
Depreciation	-	106,255	106,255	21,251	-	21,251	35,964	163,470
Total expenses	\$ 365,529	\$ 1,784,831	\$ 2,150,360	\$ 545,738	\$ 79,312	\$ 625,050	\$ 349,546	\$ 3,124,956

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, 2021

	Program			Fundraising			Management and General	Total
	Games	Training and Other	Total Program	Special Events	Capital Campaign	Total Fundraising		
Salaries	\$ -	\$ 618,526	\$ 618,526	\$ 113,248	\$ -	\$ 113,248	\$ 150,095	\$ 881,869
Employee benefits	-	98,332	98,332	24,564	-	24,564	20,109	143,005
Payroll taxes	-	57,083	57,083	9,633	-	9,633	7,519	74,235
Total salaries and related expenses	-	773,941	773,941	147,445	-	147,445	177,723	1,099,109
Donated goods and services (Note J)	1,227	161,742	162,969	14,017	-	14,017	-	176,986
Professional fees and contract services	1,326	107,979	109,305	79,377	2,596	81,973	45,829	237,107
Occupancy and utilities	2,522	27,723	30,245	26,833	-	26,833	3,036	60,114
Supplies	1,915	64,580	66,495	20,048	-	20,048	23,518	110,061
Lodging and meals	11,044	4,911	15,955	16,672	-	16,672	99	32,726
Facility rental	-	83,016	83,016	16,928	3,000	19,928	29,583	132,527
Air travel and transportation	6,729	8,800	15,529	1,333	-	1,333	478	17,340
Uniforms - volunteers	-	-	-	34,477	-	34,477	-	34,477
Awards, incentives, and gifts	880	43,532	44,412	5,551	-	5,551	769	50,732
Uniforms - athletes	24,389	21,701	46,090	-	-	-	-	46,090
Special Olympics, Inc. assessment	-	36,166	36,166	-	-	-	-	36,166
Cost of merchandise sold	1,728	-	1,728	27,065	-	27,065	-	28,793
General excise taxes and merchant fees	-	6,034	6,034	1,473	-	1,473	18,377	25,884
Insurance	-	20,159	20,159	3,584	4,069	7,653	1,930	29,742
Equipment rental and repairs	342	20,344	20,686	1,050	-	1,050	2,271	24,007
Meetings and conferences	600	-	600	3,976	-	3,976	-	4,576
Postage and shipping	31	6,022	6,053	643	-	643	1,726	8,422
Telephone	-	9,648	9,648	750	-	750	1,200	11,598
Printing and publications	43	1,160	1,203	198	3,448	3,646	714	5,563
Dues and subscriptions	-	2,251	2,251	48	-	48	70	2,369
Total expenses before depreciation	52,776	1,399,709	1,452,485	401,468	13,113	414,581	307,323	2,174,389
Depreciation	-	66,224	66,224	15,595	-	15,595	21,104	102,923
Total expenses	\$ 52,776	\$ 1,465,933	\$ 1,518,709	\$ 417,063	\$ 13,113	\$ 430,176	\$ 328,427	\$ 2,277,312

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, 2022 and 2021

	2022	2021
Cash flows from operating activities -		
Change in net assets	\$ 624,370	\$ 371,301
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	163,470	102,923
Gain on forgiveness of note payable (Note I)	-	(212,257)
Capitalized contributed goods and services (Note J)	(30,000)	(19,857)
Change in receivable from Special Olympics, Inc.	(17,464)	(14,343)
Change in contributions receivable	(209,665)	441,130
Change in prepaid expenses and other	4,305	44,643
Change in accounts payable	2,404	34,293
Change in accrued expenses and other liabilities	(34,868)	(1,083)
Net cash provided by operating activities	502,552	746,750
Cash flows from investing activities -		
Payments for construction-in-progress	(735,402)	(1,450,755)
Purchases of equipment	(5,434)	(107,836)
Net cash used by investing activities	(740,836)	(1,558,591)
Cash flows from financing activities -		
Proceeds from notes payable, net	636,959	879,131
Principal payments on notes payable	(40,479)	-
Principal payments on finance leases	(10,641)	-
Net cash provided by financing activities	585,839	879,131
Net change in cash and cash equivalents	347,555	67,290
Cash, cash equivalents, and restricted cash - beginning of year	1,661,786	1,594,496
Cash, cash equivalents, and restricted cash - end of year	\$ 2,009,341	\$ 1,661,786
Supplemental disclosures -		
Cash paid for interest	\$ 15,908	\$ 12,794
Accrued expenses incurred for construction-in-progress	\$ -	\$ 225,701

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 (the State), 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. 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.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting -

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### Cash and Cash Equivalents -

The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

#### 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 is necessary at December 31, 2022 and 2021.

#### Property and Equipment -

The cost of buildings and improvements 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.

Acquisitions of property and equipment in excess of \$1,000 are capitalized at cost, if purchased, or at the fair market value on the date of donation, if contributed.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which are five years for equipment and 18 to 50 years for building and land improvements. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the change in net assets.



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

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

##### Leases -

Short-term leases with an initial term of 12 months or less and month-to-month arrangements are recognized as rent expense on a straight-line basis over the lease term. All other leases are recognized as operating leases or finance leases at lease commencement. The Organization uses its incremental borrowing rate in determining lease liabilities since leases generally do not provide an implicit rate. Lease terms are reassessed if a significant event or change in circumstances occurs within the Organization's control.

During 2022, the Organization adopted Accounting Standards Update 2016-02, *Leases*, as amended by subsequent pronouncements. The Organization has elected to adopt the lease standards retrospectively as of January 1, 2022. As a result, right-of-use equipment increased by \$27,649, right-of-use land and operating lease liability increased by \$185,475, finance lease liability increased by \$28,793, and net assets without donor restrictions decreased by \$1,143 at January 1, 2022.

##### 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 -

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.

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. There are no board-designated endowments or net assets with perpetual donor restrictions at December 31, 2022 or 2021.

In 2010, 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.



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

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

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

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 to appropriate for expenditure each year all investment income generated from endowments.

##### 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. 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.

##### Risks and Uncertainties -

In response to health concerns related to the COVID-19 pandemic, the Organization cancelled all in-person practices and sports competition activities through most of 2021. Many fundraising events in 2021 were cancelled or significantly reduced in scope. The Organization resumed some in-person activities in late 2021 and most activities resumed in full during 2022. No adjustments were made to the December 31, 2022 and 2021 financial statements as a result of these events.



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

#### NOTE C - TAX STATUS

Special Olympics Hawaii, Inc. is recognized by the Internal Revenue Service (IRS) as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tax years from 2019 through 2022 remain subject to examination by taxing authorities.

#### NOTE D - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The Organization maintains its cash and cash equivalents at two Hawaii-based financial institutions. The Federal Deposit Insurance Corporation provides insurance coverage up to \$250,000 for the Organization's accounts at these financial institutions. Total uninsured cash and cash equivalents approximated \$1,533,000 and \$725,000 at December 31, 2022 and 2021, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 1,809,341	\$ 1,461,786
Restricted cash	200,000	200,000
Total	<u>\$ 2,009,341</u>	<u>\$ 1,661,786</u>

#### NOTE E - LEASES AND LICENSES

On August 1, 2011, the State of Hawaii's Department of Hawaiian Home Lands 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 constructed 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 moved its headquarters to the new facility in March 2021.

The Organization also leases certain office equipment under noncancelable lease agreements which expire at various times through March 2026.

The Organization also leases warehouse space under a noncancelable lease agreement which expired in August 2021 with month-to-month tenancy thereafter. In addition, the Organization leases, on a month-to-month basis, other office and storage space for its programs.



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

#### NOTE E - LEASES AND LICENSES (continued)

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

Year ending December 31,	Operating	Finance	Total
2023	\$ 12,000	\$ 7,175	\$ 19,175
2024	12,000	5,579	17,579
2025	12,000	5,579	17,579
2026	12,000	1,395	13,395
2027	12,000	-	12,000
Thereafter	343,000	-	343,000
Total	403,000	19,728	422,728
Less: interest portion	(219,370)	(1,577)	(220,947)
Present value of minimum lease payments	<u>\$ 183,630</u>	<u>\$ 18,151</u>	<u>\$ 201,781</u>

Supplemental information related to operating and finance leases for 2022 are as follows:

	Operating	Finance
Lease cost:		
Amortization of right-of-use assets	\$ 1,845	\$ 10,436
Interest on lease liabilities	10,155	1,318
Total	<u>\$ 12,000</u>	<u>\$ 11,754</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	12,000	1,318
Financing cash flows	-	10,641
Weighted-average remaining lease term	33.6 years	3.0 years
Weighted-average discount rate	5.50%	5.50%

#### NOTE F - NOTES PAYABLE

During 2022, the Organization entered into a note payable to the Council for Native Hawaiian Advancement (CNHA). The initial principal of \$650,000, net of \$13,051 loan fees, was disbursed to the Organization in November 2022. A second disbursement with principal of \$250,000, net of \$5,000 loan fees, was disbursed to the Organization in January 2023. The note has a fixed interest rate of 5.50%. Monthly payments of \$9,767 began February 2023 with the remaining principal and accrued interest due at maturity in February 2030. The note is collateralized by the Organization's non-cash assets.

On February 26, 2021, the Organization entered into a note payable to the U.S. Department of Agriculture's Rural Development Division (USDA). The note has original principal of \$700,000 and a fixed interest rate of 2.25%. Monthly payments of \$4,592 began March 2021 with the remaining principal and accrued interest due at maturity in February 2036. The note is collateralized by assets and income related to the Organization's facility in Kapolei, Hawaii.



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

#### NOTE F - NOTES PAYABLE (continued)

In connection with the USDA note payable, the Organization is required to maintain a compensating balance of \$55,104 at a financial institution for the benefit of the USDA. At December 31, 2022 and 2021, the Organization had a balance of \$200,000 in a bank account held jointly with the USDA. Funds may be withdrawn with written USDA approval for the cost of repair or replacement related to the Kapolei facility and equipment. The account balance is presented as restricted cash on the statements of financial position.

Future maturities of the notes payable, including repayments of the \$250,000 CNHA disbursement received in January 2023, are as follows:

Year ending December 31,	USDA	CNHA
2023	\$ 41,632	\$ 63,508
2024	42,345	73,024
2025	43,344	77,143
2026	44,330	81,495
2027	45,337	86,091
Thereafter	409,407	518,739
Total principal	626,395	900,000
Less: draw in transit	-	(250,000)
Less: unamortized loan fees	-	(13,041)
Total liability	\$ 626,395	\$ 636,959

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

At December 31, 2022 and 2021, net assets with donor restrictions were restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose:		
Summer games	\$ 133,627	\$ 127,533
USA Games	48,196	-
Capital campaign	-	17,652
Other	-	7,067
Subject to passage of time:		
2023	97,500	-
2024	70,000	-
2025	25,000	-
Total donor restrictions	\$ 374,323	\$ 152,252



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

#### NOTE G - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Capital campaign	\$ 17,652	\$ 498,840
Other	4,355	11,000
	<u>          </u>	<u>          </u>
Total restrictions released	<u>\$ 22,007</u>	<u>\$ 509,840</u>

#### NOTE H - 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 I - PUBLIC SUPPORT

##### Special Olympics, Inc. -

The Organization has an agreement with Special Olympics, Inc., which conducts direct mail, phone, and online campaigns nationwide and in the State, 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, 2022 and 2021, the Organization received approximately \$175,000 and \$163,000, respectively, under this agreement. These amounts are included in direct marketing contributions. The Organization also received \$412,000 and \$246,000 in connection with specified programs from Special Olympics, Inc. during the fiscal years ended December 31, 2022 and 2021, respectively. Revenues from these grants, which amounted to approximately \$438,000 and \$261,000 for 2022 and 2021, respectively, are recognized as the Organization incurs eligible expenses.

##### COVID-19 Relief Programs -

During 2021, the Organization received \$212,257 in exchange for a note payable to a financial institution under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (CARES Act), as amended by subsequent legislation. The entire balance of the note was forgiven in January 2022 in accordance with the CARES Act, as amended, and is recognized as government grants without donor restrictions on the 2021 statement of activities.

Subsequent to year-end, in January 2023, the Organization received Employee Retention Credit payments of approximately \$315,000 under the CARES Act, as amended. Management has determined the credit should be recognized in its 2023 financial statements due to substantial uncertainty over the timing and amount of the credit.





## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

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

##### Government Grants -

The Organization is the recipient of several reimbursement-type grants awarded by the Counties of Honolulu, Maui, and Hawaii. For 2022 and 2021, county grants aggregated approximately \$169,000 and \$65,000, respectively. The Organization has a grant with the State's Department of Education (DOE) for services to be provided by the Organization. For the years ended December 31, 2022 and 2021, revenue from the DOE grants aggregated \$87,000 each year.

#### NOTE J - NON-CASH CONTRIBUTIONS

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

During 2022 and 2021, the Organization 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 2022 and 2021, these donated services had a fair market value of approximately \$229,000 and \$141,000, 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 \$419,000 and \$36,000 for 2022 and 2021, respectively, and are recorded as non-cash contribution revenues and program or fundraising expenses. The Organization also capitalized \$30,000 of contributed materials to construction-in-progress in 2022 and capitalized \$19,857 of contributed construction management services to construction-in-progress in 2021.

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. During 2022 and 2021, the Organization recognized approximately \$13,000 and \$14,000, respectively, as revenue from the sale of donated items.

#### 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. No contribution was approved in 2022 and 2021.



## Special Olympics Hawaii, Inc.

### Notes to Financial Statements

#### NOTE L - LIQUIDITY

The Organization's financial assets as of December 31, 2022 consist of cash of approximately \$1,809,000, restricted cash of \$200,000, a receivable from Special Olympics, Inc. of \$42,000, and other contributions receivable of \$232,000. As described in Note F, the restricted cash balance requires written approval from the USDA and can be used for the repair or replacement of the Kapolei facility or equipment. Donor-imposed restrictions of approximately \$374,000 reduce the amounts available for general use. This includes \$193,000 of multi-year contributions receivable which are subject to implied time restrictions. Of this amount, \$98,000 is expected to be collected within one year. Net financial assets of approximately \$1,807,000 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 and high-yield savings accounts.

#### NOTE M - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 31, 2023, the date the financial statements were available to be issued.

