SPECIAL OLYMPICS WASHINGTON

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

BRANTLEY JANSON
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BRANTLEY JANSON
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Special Olympics Washington
2815 Second Avenue, Suite 370
Seattle, WA 98121

Opinion
We have audited the financial statements of Special Olympics Washington, 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 accompanying financial statements present fairly, in all material respects, the financial position of Special Olympics Washington as of December 31, 2022 and 2021, 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.

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

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 Washington's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

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resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Special Olympics Washington'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 Washington's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of net proceeds from enhanced raffles are presented for purposes of additional analysis and are 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 audit 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.

Brantley Janson

June 15, 2023

SPECIAL OLYMPICS WASHINGTON

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 3,297,146	$ 3,957,914
Receivables and promises to give	365,914	168,268
Employee Retention Credit receivable	353,545	353,545
Inventory	95,302	97,122
Prepaid expenses and deposits	223,578	223,732
Total current assets	4,335,485	4,800,581
PROPERTY AND EQUIPMENT, net	19,873	30,729
OTHER ASSETS		
Operating right-of-use assets	653,053	-
Beneficial interest in trust	41,740	44,413
Investments	3,688,541	4,358,873
	4,383,334	4,403,286
TOTAL ASSETS	$ 8,738,692	$ 9,234,596

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 107,624	$ 86,138
Accrued expenses	165,419	42,599
Deferred revenue	85,833	41,995
Current portion of operating lease liabilities	231,927	-
Deferred rent	-	82,979
Total current liabilities	590,803	253,711
OPERATING LEASE LIABILITIES, net of current portion	476,077	-
NET ASSETS		
Without donor restrictions	4,681,092	4,970,295
With donor restrictions	2,990,720	4,010,590
	7,671,812	8,980,885
TOTAL LIABILITIES AND NET ASSETS	$ 8,738,692	$ 9,234,596

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

SPECIAL OLYMPICS WASHINGTON

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 3,948,330	$ 508,651	$ 4,456,981
Investment loss	(236,516)	(455,419)	(691,935)
Souvenir sales	68,725	-	68,725
In-kind contributions	57,172	-	57,172
Special events			
Enhanced raffle	5,909,440	-	5,909,440
Less direct benefits to donors	(1,649,376)	-	(1,649,376)
Other events	153,908	-	153,908
Less direct benefits to donors	(77,045)	-	(77,045)
	8,174,638	53,232	8,227,870
Net assets released from restriction	1,073,102	(1,073,102)	-
Total support and revenue	9,247,740	(1,019,870)	8,227,870
EXPENSES			
Program services	5,653,368	-	5,653,368
Supporting activities			
Management and general	492,052	-	492,052
Development and fundraising	3,391,523	-	3,391,523
Total expenses	9,536,943	-	9,536,943
CHANGE IN NET ASSETS	(289,203)	(1,019,870)	(1,309,073)
NET ASSETS, beginning of year	4,970,295	4,010,590	8,980,885
NET ASSETS, end of year	$ 4,681,092	$ 2,990,720	$ 7,671,812

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

SPECIAL OLYMPICS WASHINGTON

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 3,068,745	$ 721,809	$ 3,790,554
Investment income	186,178	315,435	501,613
Souvenir sales	2,519	-	2,519
In-kind contributions	20,426	-	20,426
Paycheck Protection Program	397,422	-	397,422
Employee Retention Credit	353,545	-	353,545
Special events			
Enhanced raffle	5,738,965	-	5,738,965
Less direct benefits to donors	(1,595,962)	-	(1,595,962)
Other events	51,622	-	51,622
Less direct benefits to donors	(10,976)	-	(10,976)
	8,212,484	1,037,244	9,249,728
Net assets released from restriction	313,639	(313,639)	-
Total support and revenue	8,526,123	723,605	9,249,728
EXPENSES			
Program services	3,408,887	-	3,408,887
Supporting activities			
Management and general	464,278	-	464,278
Development and fundraising	2,705,387	-	2,705,387
Total expenses	6,578,552	-	6,578,552
CHANGE IN NET ASSETS	1,947,571	723,605	2,671,176
NET ASSETS, beginning of year	3,022,724	3,286,985	6,309,709
NET ASSETS, end of year	$ 4,970,295	$ 4,010,590	$ 8,980,885

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

SPECIAL OLYMPICS WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Development & Fundraising	Total
Salaries and related expenses	$ 2,593,809	$ 343,753	$ 229,168	$ 3,166,730
Sports programming	1,712,957	-	-	1,712,957
Professional Services	515,820	64,939	100,356	681,115
Support services	365,868	57,651	89,098	512,617
Travel, lodging and meals	201,299	-	49,243	250,542
Development and special events	-	-	232,431	232,431
Occupancy	157,519	24,065	37,192	218,776
In-kind	400	-	15,772	16,172
Depreciation	10,760	1,644	2,540	14,944
Total expenses before enhanced raffle and SOI assessment	5,558,432	492,052	755,800	6,806,284
Percentage of total expenses before enhanced raffle and SOI assessment	81.67%	7.23%	11.10%	100.00%
Enhanced raffle	-	-	2,635,723	2,635,723
SOI assessment	94,936	-	-	94,936
Total expenses	$ 5,653,368	$ 492,052	$ 3,391,523	$ 9,536,943
Percentage of total expenses	59.28%	5.16%	35.56%	100.00%

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

SPECIAL OLYMPICS WASHINGTON

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Development & Fundraising	Total
Salaries and related expenses	$ 1,924,754	$ 321,868	$ 160,634	$ 2,407,256
Sports programming	535,064	-	-	535,064
Support services	343,097	50,756	78,441	472,294
Professional Services	341,303	34,368	53,114	428,785
Occupancy	166,749	24,455	39,371	230,575
Development and special events	-	-	184,939	184,939
Travel, lodging and meals	13,415	10,749	1,914	26,078
In-kind	-	20,426	-	20,426
Depreciation	10,837	1,656	2,559	15,052
Total expenses before enhanced raffle and SOI assessment	3,335,219	464,278	520,972	4,320,469
Percentage of total expenses before enhanced raffle and SOI assessment	77.20%	10.75%	12.06%	100.00%
Enhanced raffle	-	-	2,184,415	2,184,415
SOI assessment	73,668	-	-	73,668
Total expenses	$ 3,408,887	$ 464,278	$ 2,705,387	$ 6,578,552
Percentage of total expenses	51.82%	7.06%	41.12%	100.00%

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

SPECIAL OLYMPICS WASHINGTON

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,309,073)	$ 2,671,176
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	14,944	15,051
Net earnings reinvested in endowments	(79,332)	(88,795)
Realized and unrealized (gain) loss on investments	771,044	(423,466)
Changes in assets and liabilities:		
Receivables and promises to give	(194,973)	91,559
Employee Retention Credit receivable	-	(353,545)
Inventory	1,820	25,879
Prepaid expenses and deposits	154	(86,858)
Operating right-of-use assets, net	(28,028)	-
Accounts payable	21,486	(43,828)
Accrued expenses	122,820	(95,860)
Deferred revenue	43,838	18,241
Deferred rent	-	(4,621)
Net cash provided (used) by operating activities	(635,300)	1,724,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,088)	-
Purchase of investments	(1,540,496)	(3,247,566)
Proceeds from sale and maturities of investments	1,319,116	3,204,267
Net cash used by investing activities	(225,468)	(43,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions received	200,000	100,000
Net cash provided by financing activities	200,000	100,000
NET CHANGE IN CASH	(660,768)	1,781,634
CASH AND CASH EQUIVALENTS, beginning of year	3,957,914	2,176,280
CASH AND CASH EQUIVALENTS, end of year	$ 3,297,146	$ 3,957,914

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

NOTE 1 - NATURE OF ORGANIZATION

Special Olympics Washington (SOWA, the Organization), an accredited affiliate of Special Olympics Inc. (SOI), was organized in the State of Washington as a not-for-profit corporation in 1975. The mission of SOWA is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympic athletes and the community. Activities are funded primarily through donor contributions and fund raising events. The organizational structure consists of a State Chapter office in Seattle, Washington and remote staff located in Kennewick and Spokane, Washington.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Nonprofit organizations are required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The net assets of SOWA are classified as follows:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations. Net assets received with donor-imposed stipulations which are met in the year of the receipt are classed as net asset without donor restrictions at year-end.
>
> **Net assets with donor restrictions:** Net assets subject to donor-imposed stipulations that they may be maintained permanently by SOWA. The donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. See Note 7.
>
> Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. See Note 7.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except those held as part of its investment portfolio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Promises to Give
Unconditional promises to give are recognized as revenues in the period received and classified based upon donor restrictions, if any. Promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows.

Collectability of receivables and promises to give is reviewed on a monthly basis by management. SOWA's management determined that an allowance was not deemed necessary as of December 31, 2022 and 2021.

Fair Value of Financial Instruments
The Organization's financial instruments are cash and cash equivalents, investments, contributions and grants receivable, accounts payable and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The Organization's investments in certificates of deposit and marketable equity securities are recorded at fair value. Investments recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

> Level 1 – These are assets where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access.
>
> Level 2 – These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets.
>
> Level 3 – These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the assets. The Organization currently has no level 3 assets.

Property and Equipment
Property and equipment are stated at cost if purchased or, in the case of donated assets, at estimated fair value at the date of contribution. SOWA capitalizes acquisitions of property and equipment in excess of $500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are depreciated over the shorter of the lease term or the expected useful life.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions
SOWA receives numerous donations of food, supplies, property and equipment, and the use of facilities for program services and events. Such goods are recognized as support at their estimated fair value on the date of receipts. For the years ended December 31, 2022 and 2021 there was donated goods which amounted to $41,400 and $0. SOWA recognizes donated services if the services create or enhance nonfinancial assets, or require specialized skills and are provided by individuals possessing those skills, which would typically need to be purchased if not donated. Donated services for the years ended December 31, 2022 and 2021 were $15,772 and $20,426. Many volunteers donate significant amounts of time to SOWA's activities. The services of these volunteers are not recorded in the financial statements as they do not meet the criteria for recognition under GAAP.

Advertising Costs
SOWA expenses advertising costs when the advertising campaign takes place. Advertising expense for the years ended December 31, 2022 and 2021 was $372,085 and $579,551.

Functional Allocation of Expenses
The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on the benefits derived.

Federal Income Tax
The Internal Revenue Service (IRS) has determined that SOWA is exempt from federal income tax under Section 501(c)(3) and is classified as an organization other than a private foundation under Section 509(a)(1); accordingly, no provision has been made for federal income tax in the financial statements. SOWA files tax filings with the U.S., state and various local governments. SOWA's income tax filings are subject to examination by various taxing authorities.

SOWA follows the provisions of uncertain tax positions as addressed in Financial Accounting Standards Board (FASB) Codification Subtopic 740-10, Income Taxes. SOWA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Concentration of Credit Risk
The Organization maintains cash in checking and savings accounts in depository institutions. These cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Date of Management Review
Management has evaluated subsequent events through June 15, 2023, the date the financial statements were available to be issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adopted Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The standard is effective for reporting periods beginning after December 15, 2021. On January 1, 2022, SOWA adopted Topic 842, Leases, which requires lessees to recognize right-of-use assets and lease liabilities for the rights and obligations created by leases and requires leases to be recognized on the balance sheet. The two permitted transition methods under the guidance are the modified retrospective transition-comparative method, which requires application of the guidance for all comparative periods presented, and the modified retrospective transition – effective method, which requires prospective application at the adoption date. SOWA elected the modified retrospective transition – effective method with the adoption dates effective on January 1, 2022. The adoption resulted in recognition of additional right-of-use assets and lease liabilities (see Note 11) but had no change to SOWA's net assets.

Topic 842 provides a number of optional practical expedients which may be elected at the adoption date. SOWA elected a 'package of practical expedients', which allows the Organization to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for expired or existing leases, and (3) initial direct costs for any existing leases. The Organization has not elected the other practical expedient that allows the use-of-hindsight or the practical expedient pertaining to land easements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for SOWA beginning on January 1, 2022. SOWA has adopted this standard with no significant modifications to the financial statements and related footnotes.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

SOWA has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects SOWA's financial assets (cash and cash equivalents, receivables and investments) as of December 31, 2022, reduced by amounts not available for general expenditures within one year.

	2022	2021
Total financial assets		
Cash and cash equivalents	$ 3,297,146	$ 3,957,914
Investments	3,688,541	4,358,873
Receivables and promises to give	365,914	168,268
Employee Retention Credit receivable	353,545	353,545
Beneficial interest in trust	41,740	44,413
	7,746,886	8,883,013
Less those unavailable for general expenditure within one year due to:		
Board designations	2,583,889	2,416,789
Donor restrictions	2,895,695	4,010,590
	5,479,584	6,427,379
Financial assets available to meet cash needs for general expenditures within one year	$ 2,267,302	$ 2,455,634

NOTE 4 - RECEIVABLES AND PROMISES TO GIVE

Accounts receivable consisted of the following at December 31:

	2022	2021
Receivables from others	$ 347,802	$ 35,833
Receivable from related party	18,112	132,435
	$ 365,914	$ 168,268

NOTE 5 - INVESTMENTS

Investments consisted of the following at December 31:

	2022	2021
Cash	$ 27,042	$ 44,670
Exchange traded funds	3,661,499	4,314,203
	$ 3,688,541	$ 4,358,873

Exchange traded funds are valued at the daily closing price as reported by the Organization. The exchange traded funds held by the Organization are deemed to be actively traded.

All investments held on December 31, 2022 and 2021 by SOWA are Level 1 investments.

Investment income (loss) is reported net of related investment expenses in the statement of activities.

	2022	2021
Income (loss) from investments		
Dividends and interest	$ 79,332	$ 89,517
Investment expenses	(21,994)	(22,918)
Realized gain	1,667	1,053,089
Unrealized gain (loss)	(772,711)	(629,623)
Other	21,771	11,548
	$ (691,935)	$ 501,613

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Furniture and equipment	$ 39,068	$ 35,032
Vehicles	23,081	23,081
Leasehold improvements	15,052	15,052
	77,201	73,165
Less accumulated depreciation	(57,328)	(42,436)
	$ 19,873	$ 30,729

NOTE 7 - NET ASSETS AND ENDOWMENT

Net assets without donor restrictions consist of the following at December 31:

	2022	2021
Board designated		
Quasi endowment	$ 1,342,885	$ 1,666,789
Funds restricted for local areas	774,798	-
Technological, marketing, and campaign	466,206	750,000
Undesignated	2,097,203	2,553,506
	$ 4,681,092	$ 4,970,295

NOTE 7 - NET ASSETS AND ENDOWMENT (Continued)

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Sports equipment and uniforms	$ 493,063	$ 1,204,778
Health and wellness	11,389	65,467
Time-restricted	28,261	30,933
Robotics	17,326	17,328
Endowment	2,345,656	2,692,084
	$ 2,895,695	$ 4,010,590

SOWA's endowment includes donor-restricted endowment funds and funds designated by the Board to function as an endowment (quasi-endowment), both of which were established to support the operations of SOWA. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

Interpretation of relevant law
SOWA has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, SOWA classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, SOWA considers the following factors in making a determination to release or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the donor-restricted endowment fund;
- General economic conditions;
- Possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of SOWA; and
- The investment policies of SOWA.

NOTE 7 - NET ASSETS AND ENDOWMENT (Continued)

Changes to endowment assets were as follows for the years ended December 31:

	Without donor Restrictions	With donor Restrictions	Total
Endowment as of January 1, 2021	$ 1,552,696	$ 2,350,617	$ 3,903,313
Endowment investment return:			
Contributions	-	100,000	100,000
Investment income, net of fees	27,305	39,292	66,597
Net appreciation	147,324	276,142	423,466
Appropriated for expenditures	(60,536)	(73,967)	(134,503)
Endowment as of December 31, 2021	1,666,789	2,692,084	4,358,873
Endowment investment return:			
Contributions	-	200,000	200,000
Investment income, net of fees	23,324	34,013	57,337
Net depreciation	(281,611)	(489,432)	(771,043)
Appropriated for expenditures	(65,617)	(91,009)	(156,626)
Endowment as of December 31, 2022	$ 1,342,885	$ 2,345,656	$ 3,688,541

Funds with deficiencies
From time to time, the value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires an organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new donor-restricted contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors.

Return objectives and risk parameters
SOWA desires an endowment investment performance that provides reasonable opportunities over the long term for growth of assets and generation of income, while protecting principal to ensure long term sustainability of the programs of SOWA. SOWA has adopted an investment policy in which endowment assets are invested in a manner that is intended to provide a positive rate of return annually. The target investment class allocation is determined by the SOWA Investment Committee of the Board of Directors, based on recommendations from investment consultants.

NOTE 7 - NET ASSETS AND ENDOWMENT (Continued)

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, SOWA relies on an investment strategy that achieves both capital appreciation (realized and unrealized) and current yield (interest and dividends). SOWA targets a diversified asset allocation that can be adjusted by the Investment Committee based on market conditions.

Spending policy and how the investment objectives relate to spending policy
The endowment and earnings thereon are to be thought of as board designated or donor-restricted funds. SOWA has adopted a policy whereby generally all income earned on its endowment is immediately appropriated for expenditure and released from restriction unless directed otherwise by the donor.

NOTE 8 - RELATED PARTY TRANSACTIONS

As an accredited affiliate of SOI, SOWA is required to remit annual assessments determined by SOI; these assessments are included on the schedule of functional expenses. In addition, SOWA receives telemarketing and direct mailing contributions and grants through agreements with SOI. The contributions through SOI are included in total contributions on the statement of activities and changes in net assets.

SOWA had the following transactions and balances with related parties for the years ended December 31:

	2022	2021
Contributions from SOI	$ 1,119,710	$ 967,540
Assessments paid to SOI	$ 94,936	$ 73,668
Receivable from SOI	$ 18,112	$ 132,435

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization received $409,400 under the Paycheck Protection Program ("PPP"). Additionally, in March 2021, the Organization received an additional $397,422 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying entity. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments until ten months after the covered period.

The Organization received forgiveness for the first PPP loan in January 2021 and forgiveness of the second PPP loan in September 2022. The Organization has chosen to account for the PPP loans as a conditional contributions in accordance with ASC 958-605. This accounting policy allows for the Organization to record for the amount received as revenues as the qualifying expenses are incurred. By December 31, 2021 and 2020, the full amount of the loan proceeds received in both years were satisfied by qualifying expenses.

NOTE 10 - EMPLOYEE RETENTION CREDIT

The Organization has applied for the Employee Retention Credit (ERC) available through the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The ERC is a refundable tax credit against certain employment taxes providing for a refundable credit of up to $5,000 for each full-time employee retained between March 13 and December 31, 2020 and up to $7,000 per quarter for each retained employee between January 1 and September 30, 2021, provided certain criteria is met. The Organization qualified for $353,545 in Employee Retention Credits in 2021 which are included in employee retention credit receivable at December 31, 2022 and 2021.

NOTE 11 - OPERATING LEASE COMMITMENTS

In 2018, SOWA signed a lease for office space. The lease provides for increasing monthly rental payments between $15,707 and $19,143 and terminates in February 2026.

Office rental expense was $192,147 and $221,500 for the years ended December 31, 2022 and 2021.

SOWA leases various office equipment under agreements expiring through June 2024. Rental expense was $11,882 and $0 for the years ended December 31, 2022 and 2021.

NOTE 11 - OPERATING LEASES COMMITMENTS (Continued)

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

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	234,829
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$	850,783

Supplemental balance sheet information related to leases was as follows for the year ended December 31:

Weighted-average remaining lease term – operating leases	3.08 years
Weighted-average discount rate – operating leases	1.12%

Maturity of lease liabilities are as follows for the years ending December 31:

2023	$	238,499
2024		219,195
2025		224,311
2026		38,285
Total future lease payments		720,290
Lease imputed interest		(12,286)
Present value of lease liabilities	$	708,004

The interest rate used for the leases noted above was the risk free rate based on the remaining length of the lease at the date of implementation of Topic 842 or the lease commencement date if the lease commenced after January 1, 2022.

NOTE 12 - OTHER CONTINGENCIES

In 2022 and 2021, SOWA entered into six-month lease option agreements to purchase a single family residence intended for use in SOWA's fundraising Dream House Raffle. In 2022 and 2021, the option deposit was $50,000. The option to purchase the residence was not exercised in either year. Option payments for future raffles of $20,000 and $50,000 were included in prepaid expenses and deposits as of December 31, 2022 and 2021.

In the normal course of its activities, SOWA may encounter claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact SOWA's financial position or results of its activities as of December 31, 2022 and 2021.

SOWA is a member of the Nonprofit Trust (the Trust). The Trust facilitates the utilization by member agencies of the reimbursement financing method of meeting obligations under State Unemployment Insurance Statutes. At December 31, 2022 and 2021, SOWA had no balance on deposit with the Trust to fund these obligations. Any potential claims that may exist cannot be fully estimated and, therefore, have not been accrued.

NOTE 13 - RETIREMENT PLAN

SOWA sponsors a 403(b) salary reduction plan (the Plan) for the benefit of employees that meet certain age and hour of service requirements. Under the terms of the Plan, SOWA is required to match each participant's contributions up to five percent of compensation. Total employer contributions to the Plan were $73,783 and $60,644 for the years ended December 31, 2022 and 2021.

SUPPLEMENTARY INFORMATION

SPECIAL OLYMPICS WASHINGTON

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Supporting Services				
		Development				
	Program Services	Other Development	Enhanced Raffle	Total Development	Management and General	Total
Salaries and related expenses	$ 2,593,809	$ 229,168	$ 81,879	$ 311,047	$ 343,753	$ 3,248,609
Professional services	515,820	100,356	1,043,846	1,144,202	64,939	1,724,961
Sports programming	1,712,957	-	-	-	-	1,712,957
Development and special events	-	232,431	1,435,998	1,668,429	-	1,668,429
Support services	365,868	89,098	-	89,098	57,651	512,617
Occupancy	157,519	37,192	74,000	111,192	24,065	292,776
Travel, lodging and meals	201,299	49,243	-	49,243	-	250,542
In-kind	400	15,772	-	15,772	-	16,172
Depreciation	10,760	2,540	-	2,540	1,644	14,944
Total expenses before SOI assessment	5,558,432	755,800	2,635,723	3,391,523	492,052	9,442,007
SOI assessment	94,936	-	-	-	-	94,936
Total expenses	$ 5,653,368	$ 755,800	$ 2,635,723	$ 3,391,523	$ 492,052	$ 9,536,943

The accompanying notes are an integral part of these supplementary schedules.

SPECIAL OLYMPICS WASHINGTON

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

		Supporting Services				
		Development				
	Program Services	Other Development	Enhanced Raffle	Total Development	Management and General	Total
Salaries and related expenses	$ 1,924,754	$ 160,634	$ 51,752	$ 212,386	$ 321,868	$ 2,459,008
Development and special events	-	184,939	1,396,368	1,581,307	-	1,581,307
Professional services	341,303	53,114	666,295	719,409	34,368	1,095,080
Sports programming	535,064	-	-	-	-	535,064
Support services	343,097	78,441	-	78,441	50,756	472,294
Occupancy	166,749	39,371	70,000	109,371	24,455	300,575
Travel, lodging and meals	13,415	1,914	-	1,914	10,749	26,078
In-kind	-	-	-	-	20,426	20,426
Depreciation	10,837	2,559	-	2,559	1,656	15,052
Total expenses before SOI assessment	3,335,219	520,972	2,184,415	2,705,387	464,278	6,504,884
SOI assessment	73,668	-	-	-	-	73,668
Total expenses	$ 3,408,887	$ 520,972	$ 2,184,415	$ 2,705,387	$ 464,278	$ 6,578,552

The accompanying notes are an integral part of these supplementary schedules.

SPECIAL OLYMPICS WASHINGTON

SCHEDULE OF NET PROCEEDS FROM ENHANCED RAFFLE
FOR THE YEAR ENDED DECEMBER 31, 2022

GROSS RECEIPTS		
Sales of raffle tickets	$	5,909,440
In-kind contributions		41,000
Total gross receipts		5,950,440
EXPENSES		
Prizes awarded		1,649,376
Professional fees		1,043,846
Postage		490,918
Printing and copying		412,683
Advertising		356,794
Bank and credit card fees		96,714
Payroll and related taxes and benefits		81,879
Rent		74,000
Licenses and permits		29,172
Supplies		1,973
Miscellaneous		1,867
TOTAL EXPENSES		4,239,222
NET PROCEEDS FROM ENHANCED RAFFLE	$	1,711,218

The accompanying notes are an integral part of these supplementary schedules.

SPECIAL OLYMPICS WASHINGTON

SCHEDULE OF NET PROCEEDS FROM ENHANCED RAFFLE
FOR THE YEAR ENDED DECEMBER 31, 2021

GROSS RECEIPTS		
Sales of raffle tickets	$	5,738,965
EXPENSES		
Prizes awarded		1,595,962
Professional fees		666,295
Advertising		555,341
Postage		448,603
Printing and copying		305,319
Rent		70,000
Bank and credit card fees		59,600
Payroll and related taxes and benefits		51,752
Licenses and permits		25,319
Miscellaneous		2,065
Supplies		121
TOTAL EXPENSES		3,780,377
NET PROCEEDS FROM ENHANCED RAFFLE	$	1,958,588

The accompanying notes are an integral part of these supplementary schedules.