

SPECIAL OLYMPICS CONNECTICUT, INC.

**FINANCIAL STATEMENTS AND
STATE SINGLE AUDIT REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

SPECIAL OLYMPICS CONNECTICUT, INC.

CONTENTS

Independent Auditors' Report	1-3
---	-----

Financial Statements

Statements of Financial Position.....	4
Statements of Activities	5
Statements of Functional Expenses	6-9
Statements of Cash Flows.....	10

Notes to Financial Statements	11-27
--	-------

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
--	-------

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	30-33
---	-------

Schedule of Expenditures of State Financial Assistance	34
Notes to Schedule of Expenditures of State Financial Assistance.....	35
Schedule of Findings and Questioned Costs.....	36-37



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Special Olympics Connecticut, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Special Olympics Connecticut, 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 accompanying financial statements present fairly, in all material respects, the financial position of Special Olympics Connecticut, Inc. 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Special Olympics Connecticut, Inc. and to meet our other 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 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 Connecticut, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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 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 and *Government 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 Connecticut, 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 Connecticut, 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 audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023 on our consideration of Special Olympics Connecticut, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Special Olympics Connecticut, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Special Olympics Connecticut, Inc.'s internal control over financial reporting and compliance.

Marcum LLP

New Haven, CT
July 31, 2023

SPECIAL OLYMPICS CONNECTICUT, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,401,106	\$ 2,411,365
Investments	419,226	485,221
Grants and unconditional promises to give	1,059,240	1,146,057
Prepaid expenses and other	261,204	137,693
Total Current Assets	4,140,776	4,180,336
Long-Term Investments	7,012,139	7,888,998
Operating Lease Right-Of-Use Asset - less accumulated amortization of \$54,925 in 2022	164,778	--
Equipment - less accumulated depreciation of \$212,865 in 2022 and \$193,837 in 2021	94,610	108,141
Total Assets	\$ 11,412,303	\$ 12,177,475
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 117,707	\$ 75,333
Accrued expenses	120,516	130,523
Current portion of operating lease liability	51,234	--
Total Current Liabilities	289,457	205,856
Operating Lease Liability, net of current portion	118,931	--
Total Liabilities	408,388	205,856
Net Assets		
Without donor restrictions		
Board designated	1,786,203	2,095,199
Undesignated	3,782,546	3,508,845
With donor restrictions	5,568,749	5,604,044
	5,435,166	6,367,575
Total Net Assets	11,003,915	11,971,619
Total Liabilities and Net Assets	\$ 11,412,303	\$ 12,177,475

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

SPECIAL OLYMPICS CONNECTICUT, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Other Support						
Contributions, grants and allocations	\$ 2,816,950	\$ 522,503	\$ 3,339,453	\$ 2,372,458	\$ 866,236	\$ 3,238,694
PPP loan forgiveness	--	--	--	441,502	--	441,502
Donated materials and services	2,580,373	--	2,580,373	1,317,783	--	1,317,783
Fundraising	1,557,342	--	1,557,342	1,305,094	--	1,305,094
Net assets released from restriction	<u>866,895</u>	<u>(866,895)</u>	<u>--</u>	<u>207,967</u>	<u>(207,967)</u>	<u>--</u>
Total Revenue and Other Support	<u>7,821,560</u>	<u>(344,392)</u>	<u>7,477,168</u>	<u>5,644,804</u>	<u>658,269</u>	<u>6,303,073</u>
Expenses						
Program services	5,550,790	--	5,550,790	2,763,389	--	2,763,389
Fundraising	1,247,293	--	1,247,293	1,424,650	--	1,424,650
Administrative and general	<u>608,979</u>	<u>--</u>	<u>608,979</u>	<u>817,405</u>	<u>--</u>	<u>817,405</u>
Total Expenses	<u>7,407,062</u>	<u>--</u>	<u>7,407,062</u>	<u>5,005,444</u>	<u>--</u>	<u>5,005,444</u>
Income (Loss) from Operations	<u>414,498</u>	<u>(344,392)</u>	<u>70,106</u>	<u>639,360</u>	<u>658,269</u>	<u>1,297,629</u>
Nonoperating Items						
Investment return	60,142	82,501	142,643	58,425	65,244	123,669
Realized and unrealized (loss) gain on investments	<u>(509,935)</u>	<u>(670,518)</u>	<u>(1,180,453)</u>	<u>128,279</u>	<u>164,290</u>	<u>292,569</u>
Net Nonoperating Items	<u>(449,793)</u>	<u>(588,017)</u>	<u>(1,037,810)</u>	<u>186,704</u>	<u>229,534</u>	<u>416,238</u>
(Deficiency) Excess of Revenue and Other Support Over Expenses and Nonoperating Items	<u>(35,295)</u>	<u>(932,409)</u>	<u>(967,704)</u>	<u>826,064</u>	<u>887,803</u>	<u>1,713,867</u>
Net Assets - Beginning	<u>5,604,044</u>	<u>6,367,575</u>	<u>11,971,619</u>	<u>4,777,980</u>	<u>5,479,772</u>	<u>10,257,752</u>
Net Assets - Ending	<u>\$ 5,568,749</u>	<u>\$ 5,435,166</u>	<u>\$ 11,003,915</u>	<u>\$ 5,604,044</u>	<u>\$ 6,367,575</u>	<u>\$ 11,971,619</u>

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

SPECIAL OLYMPICS CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services						Total Program Services
	Training	Community Impact, Local and Health Programs	Summer Games	Unified Sports Holiday Classic	Winter Games and Other	Outreach and Other	
Meals and lodging	\$ 138	\$ 25,969	\$ 49,705	\$ 11,692	\$ 57,248	\$ 40,746	\$ 185,498
Game supplies	2,327	87,949	89,805	56,895	202,544	86,888	526,408
Program grants	--	108,000	--	--	509,750	15,000	632,750
Salaries, wages and fringe benefits	643,693	448,912	284,343	165,856	1,374,794	135,119	3,052,717
Rentals	1,807	60,636	110,192	49,800	134,440	19,052	375,927
Professional fees	617	8,118	23,930	2,156	6,721	1,942	43,484
Administrative	2,217	34,757	8,158	7,790	34,463	23,797	111,182
Insurance and other	1,468	21,516	5,374	5,129	17,032	5,203	55,722
Automobile	681	2,515	3,582	1,612	11,931	8,954	29,275
Printing	24	105	70	29	1,306	2,050	3,584
Meeting, travel and conferences	--	583	--	--	14,641	2,550	17,774
Contract services	495	8,268	5,640	--	16,684	350,634	381,721
Advertising and public relations	40	7,260	6,233	141	36,443	40,285	90,402
Total Expenses Before Depreciation and Amortization	653,507	814,588	587,032	301,100	2,417,997	732,220	5,506,444
Depreciation and amortization	5,263	6,560	4,728	2,425	19,473	5,897	44,346
Total Expenses	<u>\$ 658,770</u>	<u>\$ 821,148</u>	<u>\$ 591,760</u>	<u>\$ 303,525</u>	<u>\$ 2,437,470</u>	<u>\$ 738,117</u>	<u>\$ 5,550,790</u>

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

SPECIAL OLYMPICS CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Supporting Services					Total Expenses
	Fundraising			Administrative and General	Total Supporting Services	
	Other Fundraising	Direct Marketing	Total Fundraising			
Meals and lodging	\$ 23,723	\$ --	\$ 23,723	\$ 16,480	\$ 40,203	\$ 225,701
Game supplies	75,242	28	75,270	2,312	77,582	603,990
Program grants	--	--	--	--	--	632,750
Salaries, wages and fringe benefits	817,201	4,445	821,646	371,523	1,193,169	4,245,886
Rentals	61,628	238	61,866	19,925	81,791	457,718
Professional fees	14,972	81	15,053	6,806	21,859	65,343
Administrative	75,147	292	75,439	10,338	85,777	196,959
Insurance and other	38,098	194	38,292	16,191	54,483	110,205
Automobile	11,154	19	11,173	1,566	12,739	42,014
Printing	2,264	1	2,265	88	2,353	5,937
Meeting, travel and conferences	3,405	--	3,405	427	3,832	21,606
Contract services	83,134	--	83,134	158,011	241,145	622,866
Advertising and public relations	26,057	5	26,062	448	26,510	116,912
Total Expenses Before Depreciation and Amortization	1,232,025	5,303	1,237,328	604,115	1,841,443	7,347,887
Depreciation and amortization	9,922	43	9,965	4,864	14,829	59,175
Total Expenses	<u>\$ 1,241,947</u>	<u>\$ 5,346</u>	<u>\$ 1,247,293</u>	<u>\$ 608,979</u>	<u>\$ 1,856,272</u>	<u>\$ 7,407,062</u>

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

SPECIAL OLYMPICS CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						Total Program Services
	Training	Community Impact, Local and Health Programs	Summer Games	Unified Sports Holiday Classic	Winter Games and Other	Outreach and Other	
Meals and lodging	\$ 614	\$ 3,217	\$ 7,861	\$ 1,623	\$ 17,399	\$ 19,597	\$ 50,311
Game supplies	1,237	32,328	29,436	10,092	101,302	51,253	225,648
Program grants	--	48,000	--	--	400,750	--	448,750
Salaries, wages and fringe benefits	63,170	663,280	126,339	94,754	347,432	126,339	1,421,314
Rentals	2,527	49,213	9,714	21,454	36,377	11,649	130,934
Professional fees	835	8,762	1,669	1,252	4,590	3,169	20,277
Administrative	2,750	32,272	5,783	4,637	29,637	19,975	95,054
Insurance and other	2,544	27,233	5,089	3,867	14,005	7,024	59,762
Automobile	339	1,118	2,096	484	7,177	3,910	15,124
Printing	--	19	--	--	433	569	1,021
Meeting, travel and conferences	--	3,737	--	--	290	50	4,077
Contract services	300	6,460	6,275	80	23,664	209,262	246,041
Advertising and public relations	27	4,620	6,013	40	918	6,652	18,270
Total Expenses Before Depreciation and Amortization	74,343	880,259	200,275	138,283	983,974	459,449	2,736,583
Depreciation and amortization	730	8,643	1,967	1,357	9,661	4,448	26,806
Total Expenses	\$ 75,073	\$ 888,902	\$ 202,242	\$ 139,640	\$ 993,635	\$ 463,897	\$ 2,763,389

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

SPECIAL OLYMPICS CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Supporting Services					Total Expenses
	Fundraising			Administrative and General	Total Supporting Services	
	Other Fundraising	Direct Marketing	Total Fundraising			
Meals and lodging	\$ 9,631	\$ --	\$ 9,631	\$ 8,870	\$ 18,501	\$ 68,812
Game supplies	56,367	92	56,459	716	57,175	282,823
Program grants	--	--	--	--	--	448,750
Salaries, wages and fringe benefits	1,080,199	4,422	1,084,621	652,541	1,737,162	3,158,476
Rentals	52,097	177	52,274	26,103	78,377	209,311
Professional fees	14,270	58	14,328	8,621	22,949	43,226
Administrative	58,752	360	59,112	7,051	66,163	161,217
Insurance and other	46,413	178	46,591	26,284	72,875	132,637
Automobile	4,192	5	4,197	753	4,950	20,074
Printing	26	--	26	--	26	1,047
Meeting, travel and conferences	5	--	5	1,210	1,215	5,292
Contract services	76,004	63	76,067	77,033	153,100	399,141
Advertising and public relations	7,423	2	7,425	276	7,701	25,971
Total Expenses Before Depreciation and Amortization	1,405,379	5,357	1,410,736	809,458	2,220,194	4,956,777
Depreciation and amortization	13,861	53	13,914	7,947	21,861	48,667
Total Expenses	<u>\$ 1,419,240</u>	<u>\$ 5,410</u>	<u>\$ 1,424,650</u>	<u>\$ 817,405</u>	<u>\$ 2,242,055</u>	<u>\$ 5,005,444</u>

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

SPECIAL OLYMPICS CONNECTICUT, 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	\$ (967,704)	\$ 1,713,867
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,175	48,667
Amortization of right-of-use asset	54,925	--
Realized loss (gain) on investments	108,546	(1,436,222)
Unrealized loss on investments	1,071,907	1,143,653
Contributions restricted for future capital expenditures	--	(28,208)
Changes in assets and liabilities:		
Grants and unconditional promises to give	86,817	(797,475)
Prepaid expenses and other	(123,511)	(6,348)
Operating lease liability	(49,538)	--
Accounts payable	42,374	39,850
Accrued expenses	(10,007)	(10,679)
Net Cash Provided by Operating Activities	272,984	667,105
Cash Flows from Investing Activities		
Purchases of equipment	(45,644)	(55,230)
Purchases of investments	(1,708,011)	(9,717,864)
Proceeds from sales of investments	1,470,412	9,590,052
Net Cash Used in Investing Activities	(283,243)	(183,042)
Cash Flows from Financing Activities		
Contributions restricted for future capital expenditures	--	28,208
Net Cash Provided by Financing Activities	--	28,208
Net Change in Cash and Cash Equivalents	(10,259)	512,271
Cash and Cash Equivalents - Beginning	2,411,365	1,899,094
Cash and Cash Equivalents - Ending	\$ 2,401,106	\$ 2,411,365
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 9,592	\$ --
Supplemental Disclosure of Non-Cash Financing and Investing Activities		
Right-of-use asset recognized in exchange for operating lease obligation	\$ 219,703	\$ --

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

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Special Olympics Connecticut, Inc. (the Organization) is a tax-exempt, not-for-profit corporation. The primary purpose of the Organization is to provide opportunities throughout the year for sports training and athletic competition for individuals with intellectual disabilities in the State of Connecticut.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods or services is incurred, regardless of the timing of cash flows.

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state or federal laws.

INCOME FROM OPERATIONS

The statements of activities include income from operations as the performance indicator. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include investment return and unrealized gains (losses) on investments.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the statement of financial position. For lessors, however, the accounting remains largely unchanged from the model under FASB Accounting Standards Codification (“ASC”) 840, *Leases (“ASC 840”)*, with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard (“ASC 606”). Additionally, the new standard requires extensive quantitative and qualitative disclosures. The Organization adopted ASU 2016-02 on January 1, 2022 using the modified retrospective transition method and elected the package of practical expedients, both provided for under ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. The package of practical expedients allows the Project not to reassess whether contracts are or contain leases, lease classification, and whether initial direct costs qualify for capitalization. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a right-of-use asset and operating lease liability at the carrying amount of \$219,703, which represents the present value of the remaining operating lease, discounted using an incremental borrowing rate of 5.375%.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on the Organization’s policies on contributed nonfinancial assets, information on donor-imposed restrictions, and valuation techniques. The Organization adopted the new standard in 2022.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the fair value of donated materials and services, fair value of investments and the estimated useful lives of long lived assets, among others. Actual results could differ from those estimates.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with an initial maturity at purchase of three months or less to be cash and cash equivalents for the purpose of the statement of cash flows. The Organization maintains its cash accounts at federally insured financial institutions. Generally, the Organization's cash and cash equivalents exceed Federal Deposit Insurance Corporation (FDIC) limits of up to \$250,000 per depositor. However, the Organization has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant risk.

PROMISES TO GIVE

Unconditional 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 fair value, which is measured as the present value of their future cash flows. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All unconditional promises to give at December 31, 2022 and 2021 are due within one year.

INVESTMENT VALUATION AND INVESTMENT INCOME RECOGNITION

Investments are measured at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenue over expenses unless the income is restricted by donor.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$22,985 in 2022 and \$24,016 in 2021, and have been netted against investment return in the accompanying statements of activities.

The Board of Directors develops the investment policies and monitors the Organization's adherence to these investment policies. In 2021, the Organization adjusted its investment policies and adopted a lower cost approach, moving the majority of its investments from actively managed funds to passive exchange-traded funds, resulting in a significant amount of internal purchase and sale transactions between the investment sub-accounts.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BOARD DESIGNATED NET ASSETS

Board designated net assets consist of assets set aside by the Board of Directors to be used for future operations as deemed necessary by the Board, and amounts to be used to fund local programs in the New London area, over which the Board retains control and may at its discretion subsequently use for other purposes.

REVENUE RECOGNITION

The Organization reports unconditional contributions of cash and other assets at fair value at the date of the contribution. Fundraising is recognized in the period the event takes place. Grant revenue is recognized as the respective conditions in the contract have been met. Unconditional contributions, fundraising and grants received are recorded as unrestricted or restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying financial statements. Contributions of marketable securities are valued at fair value on the date of donation.

The Organization receives significant support for its programs from fundraising events and activities, as follows:

	2022	2021
Direct marketing	\$ 335,034	\$ 411,098
Other significant special events:		
Torch run	598,105	419,149
Golf tournaments	382,622	265,002
Penguin plunge	79,610	35,990
Over the Edge	81,573	91,896
All other events	80,398	81,959
	<u>\$ 1,557,342</u>	<u>\$ 1,305,094</u>

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUIPMENT

Equipment is recorded at cost, except for donated items, which are recorded at fair value at the date of the gift. Maintenance and repairs are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation of the equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

LONG-LIVED ASSETS

The Organization continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses recognized during 2022 and 2021.

DONATED MATERIALS AND SERVICES

The Organization is dependent on donated materials and services for a significant portion of its operations and could not operate in its present form without the donation of such services and materials. Donations include, among other things, athletic equipment, food and other materials, use of facilities and other services contributed by numerous donors. Donated materials and services are recognized as revenue and support and as expense, based on estimated fair values.

All donated materials and services are utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated materials and services.

The expenses related to the contributed services requiring specialized skills consist of volunteer time and are included in salaries, wages and fringe benefits. In addition, a substantial number of individuals have donated significant amounts of time to the Organization's program services that do not meet the criteria for recognition under the standards. No amounts have been recognized in the financial statements for those services.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED MATERIALS AND SERVICES (CONTINUED)

Amounts recorded in the financial statements relating to donated materials and services are as follows:

Donated Materials

Category	Type of Contributions	Valuation	2022	2021
Media/public relations	Digital, broadcast, and public service announcements	Third-party estimate using billing rates in like circumstances	\$ 447,327	\$ 228,780
Tickets, rentals and transportation	Tickets and ski rentals for events and athletic competition	Based on third-party estimates and current market rates for similar services	111,593	--
Auction items	Trips, gift cards, and other auction items	Based on third-party estimates and current market rates for similar items	24,521	13,911
Food, supplies, and other	Food, books, supplies, gift certificates, and other	Based on third-party estimates and current market rates for similar items	90,584	19,648
Totals			<u>\$ 674,025</u>	<u>\$ 262,339</u>

Donated Services

The Organization receives services from individuals with specialized skills who donate their time as area and local chapter coordinators and volunteers for programs and events sponsored by the Special Olympics programs. The individuals who donate their time include coaches, fitness trainers, referees, local program coordinators, event planners, medical and security volunteers, and photographers. In determining the valuation for the donated services, the Organization uses data compiled by an independent website that values volunteer time based on a state-by-state basis. The value of contributed time amounted to \$1,906,348 in 2022 and \$1,055,444 in 2021, and is recognized in the financial statements as contributions, since the volunteers' time met the criteria for such recognition.

The total value of contributed materials and services for the years ended December 31, 2022 and 2021 was \$2,580,373 and \$1,317,783, respectively.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classification. All other expenses are allocated based on square footage, estimates of time and effort, and other allocation metrics, depending on the nature of the expense.

INCOME TAXES

The Organization is exempt from income taxes under Section 501(c)(3) of the Code. As such, the Organization is exempt from state and federal income taxes on income related to its tax-exempt purpose. The Organization also qualifies under Section 501(a) (2) of the Code as “other than private foundation”. The Organization accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. Management has analyzed the tax position taken and has concluded that as of December 31, 2022 and 2021, there are no tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

PENSION

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (the Code), covering full-time employees of the Organization. Employee contributions are at the discretion of the Board of Directors. For 2022 and 2021, the Organization contributed \$29,718 and \$27,453, respectively, to the Plan. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Code.

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 31, 2023, the date the financial statements were available to be issued. There were no subsequent events identified requiring recognition or disclosure in these financial statements.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organizations’ investment policy allows the allocation of its investments to debt and equity securities, and money market mutual funds. As of December 31, 2022 and 2021, funds are invested in mutual funds and money market mutual funds.

The Organization’s investments at December 31 consisted of the following:

	2022	2021
Long-term investments:		
Board designated	\$ 1,786,203	\$ 2,095,199
Donor designated		
Restricted as to time or purpose	4,591,002	5,046,005
Donor-restricted endowment	634,934	747,794
	7,012,139	7,888,998
Unrestricted	419,226	485,221
	\$ 7,431,365	\$ 8,374,219

The cost and fair value of investments at December 31 are as follows:

	2022		2021	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Mutual funds:				
International Equities	\$ 1,332,349	\$ 1,030,089	\$ 1,531,759	\$ 1,452,044
US Bonds - 1-3 Year	2,068,380	1,922,802	2,438,673	2,414,056
US Bonds - 5-10 Year	3,594,030	3,171,161	2,267,831	2,260,145
US Bonds - High Yield	--	--	327,991	318,109
US Equities - Large Cap	1,113,130	1,003,813	1,300,771	1,436,991
US Equities - Mid Cap	107,221	91,873	229,351	246,176
US Equities - Small Cap	235,652	192,245	214,082	216,066
Money market mutual funds	19,381	19,382	30,632	30,632
	\$ 8,470,143	\$ 7,431,365	\$ 8,341,090	\$ 8,374,219

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The following summarizes the unrealized appreciation for the years ended December 31:

	2022	2021
Beginning of year:		
Cost	\$ 8,341,090	\$ 6,777,056
Fair value	<u>8,374,219</u>	<u>7,953,838</u>
Unrealized appreciation	<u>\$ 33,129</u>	<u>\$ 1,176,782</u>
End of year:		
Cost	\$ 8,470,143	\$ 8,341,090
Fair value	<u>7,431,365</u>	<u>8,374,219</u>
Unrealized (depreciation) appreciation	<u>\$ (1,038,778)</u>	<u>\$ 33,129</u>

The following summarizes the return on investments for the years ended December 31:

	2022	2021
Change in unrealized depreciation	\$ (1,071,907)	\$ (1,143,653)
Realized (loss) gain on investment transactions	(108,546)	1,436,222
Investment income	<u>142,643</u>	<u>123,669</u>
Net investment return	<u>\$ (1,037,810)</u>	<u>\$ 416,238</u>

FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

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

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

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

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

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

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization values investments in securities that are actively traded and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Based on the above, the fair value for all of the Organization's investments are measured based on Level 1 inputs, as defined above.

RISKS AND UNCERTAINTIES FOR INVESTMENTS

The Organization's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of investment securities reported in the Organization's financial statements.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31 are as follows:

	2022	2021
Undesignated	\$ 3,687,936	\$ 3,400,704
Designated by the governing board	1,786,203	2,095,199
Equipment, net	<u>94,610</u>	<u>108,141</u>
Total Net Assets Without Donor Restrictions	<u>\$ 5,568,749</u>	<u>\$ 5,604,044</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 may be expended for:

	2022	2021
Subject to Expenditure for Specified Time or Purpose:		
Building fund	\$ 3,159,037	\$ 3,538,940
Local program fund	727,896	882,185
Statewide programs	1,037,460	963,032
Grants unavailable for expenditure until collected	<u>--</u>	<u>472,645</u>
	<u>4,924,393</u>	<u>5,856,802</u>
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment contributions from which the income is expendable for program activities	<u>510,773</u>	<u>510,773</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,435,166</u>	<u>\$ 6,367,575</u>

The building fund is intended to be used to purchase and/or construct a new corporate headquarters, and the regional and local program funds will be used to support future activities.

The Local Program Fund consists of contributions to the Organization to provide long-term support to local programs. These funds will provide annual support through a 5 percent spending policy for all eligible local programs, in accordance with the Organization's local program accreditation process. In addition, in the event of organizational hardship, the Organization may request up to ten percent of the fund's principal for operational purposes.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by accounting principles generally accepted in the United States of America (US GAAP), net assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Connecticut adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In the absence of authoritative guidance on the application of Connecticut's UPMIFA to donor-restricted funds, the Organization interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted funds that is not classified in net assets with donor restrictions would be classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies, which would be reported in donor-restricted net assets, for the years ended December 31, 2022 and 2021.

NOTE 5 – LINE OF CREDIT

The Organization has an available \$500,000 line of credit agreement with a bank. The line of credit is due on demand, and secured by a blanket lien on substantially all assets of the Organization. Interest is charged on advances at the bank's base lending rate (7.50% at December 31, 2022). The line of credit is due on demand and was not used during 2022 or 2021.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 – RIGHT OF USE ASSET AND OPERATING LEASE LIABILITY

The Organization leases its headquarters under the terms of a noncancellable operating lease expiring December 31, 2025, with required minimum annual rental payments of \$59,130 through December 31, 2023, and \$62,852 through December 31, 2025. The present value of the future minimum lease payments has been determined using an incremental borrowing rate of 5.375% per annum.

The cost of the right-of-use asset was \$219,703 at December 31, 2022. For the year ended December 31, 2022, the Organization incurred interest expense on the operating lease liability of \$9,592.

The following summarizes the future minimum lease payments under the operating lease liability at December 31:

2023	\$	59,131
2024		62,852
2025		<u>62,852</u>
		184,835
Less, amount representing interest		<u>14,670</u>
Present value of net minimum lease payments		170,165
Less, current portion		<u>51,234</u>
Operating lease liability, long-term portion	\$	<u>118,931</u>

NOTE 7 – JOINT COSTS

The Organization solicits support through a variety of fund-raising activities, including direct mail and telephone solicitation. These fund-raising activities are conducted with activities related to program functions, and include components that would otherwise be associated with program or supporting services. Joint costs are costs incurred as part of the fund-raising function, with elements of program and/or supporting service functions.

During the years ended December 31, 2022 and 2021, the Organization incurred joint costs of \$428,225 and \$293,303, respectively, for informational materials and activities that included fundraising appeals, among other things.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 – JOINT COSTS (CONTINUED)

The joint costs were allocated as follows:

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 256,935	\$ 175,982
Program services:		
Outreach and volunteer	<u>171,290</u>	<u>117,321</u>
	<u>\$ 428,225</u>	<u>\$ 293,303</u>

NOTE 8 – AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

The Organization is accredited by Special Olympics, Inc. (SOI) to conduct activities within the State of Connecticut. For the years ended December 31, 2022 and 2021, the Organization received \$854,069 and \$786,443, respectively, from SOI cooperative national fundraising projects and incurred expenses of \$128,144 and \$85,363 in 2022 and 2021, respectively, to SOI for accreditation fees and program support.

As part of the cooperative national fundraising projects noted above, the Organization entered into an agreement with SOI to perform integrated direct marketing services through December 31, 2027. Pursuant to the agreement, SOI provides integrated direct marketing services to the Organization including residential telemarketing, direct mail, public education campaigns and on-line giving. Further, the agreement with SOI provides that the Organization will share in the net revenues generated by SOI, as defined. These net revenues are included in the amounts reflected above.

The Organization has retained the right to terminate its agreement with SOI at any time if it does not consider the economic benefits realized to be in accordance with its goals.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – CONTINGENCIES

Amounts received or receivable from granting agencies are subject to audit and adjustment by Federal and State grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

From time to time, the Organization is involved in routine litigation that arises in the ordinary course of business. There are no pending legal proceedings to which the Organization is a party for which management believes, after consulting legal counsel, the ultimate outcome would have a material adverse effect on the Organization's financial position.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's primary sources of support are derived from contributions, grant, and allocation, donated materials and services, and fundraising events. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions or internal board designations. Amounts not available include donor restricted balances, board-designated investments intended to fund future operations and local program activities not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

	2022	2021
Financial Assets at Year-End		
Cash and cash equivalents	\$ 2,401,106	\$ 2,411,365
Investments	7,431,365	8,374,219
Grants and unconditional promises to give	<u>1,059,240</u>	<u>1,146,057</u>
Total Financial Assets Available at Year-End	10,891,711	11,931,641
Less Contractual or Donor-Imposed Restrictions		
Perpetual endowment	510,773	510,773
Restricted by donors	4,924,393	5,856,802
Board designated	<u>1,786,203</u>	<u>2,095,199</u>
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	<u>\$ 3,670,342</u>	<u>\$ 3,468,867</u>

The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, or other obligations come due. The Organization also has an available \$500,000 line of credit agreement with a bank (see Note 5).

NOTE 11 – U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

In February 2021, the Organization received a loan (the “PPP Loans”) in the amount of \$441,502 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act.

The Organization elected to account for these funds as conditional contributions under FASB ASC 958-605, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958-605). The contribution has a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee full time equivalents and salary ranges over the covered period of the loan.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 – U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

During the year ended December 31, 2021, the Organization met the conditions associated with the PPP loan. The Organization applied for forgiveness of the 2021 PPP Loan, and the associated note was forgiven by the SBA on June 15, 2022. Accordingly, the Organization recognized \$441,502 as PPP Loan Forgiveness in the accompanying statement of activities for the year ended December 31, 2021.

NOTE 12 – EMPLOYEE RETENTION CREDIT

The Organization is eligible for the Employee Retention Credit (ERC under the CARES Act, which provides a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. Then tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020, with additional relief provisions including slightly expanded qualified wage caps through December 31, 2021. Accordingly, the Organization filed Form 941-X, Adjusted Employer's Quarterly Federal Tax Return of Claim for Refund (Form 941-X) for the quarter ended June 30, 2020 on January 5, 2022 in the amount of \$118,684. The Organization also filed Form 941-X forms for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021 on June 13, 2022 in the amounts of \$152,798, \$156,642, and \$169,125, respectively.

On June 13, 2022, the Organization received \$125,642 as final settlement for the Form 941-X filed for the quarter ended June 30, 2020, which included interest paid on the refund amount. Final settlement of the 2021 Form 941-X returns was received in 2023.

The Organization has elected to account for these funds as governmental grants in accordance with ASC 958-605. Given the eligibility requirements connected to ERC, barriers and a right of return exist. These barriers included the various eligibility requirements and incurring qualifying payroll expenses. Accordingly, the Organization recognized as a grant receivable \$598,287 in 2021, with \$472,645 and \$125,642 included in contributions, grants, and allocation without restrictions in 2022 and 2021, respectively.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Special Olympics Connecticut, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Special Olympics Connecticut, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Special Olympics Connecticut, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Special Olympics Connecticut, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Special Olympics Connecticut, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Special Olympics Connecticut, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Special Olympics Connecticut, Inc. internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Special Olympics Connecticut, Inc. internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

New Haven, CT
July 31, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

Board of Directors
Special Olympics Connecticut, Inc.

REPORT ON COMPLIANCE FOR MAJOR STATE PROGRAM

OPINION ON MAJOR STATE PROGRAM

We have audited Special Olympics Connecticut, Inc. (the Organization)'s compliance with the types of compliance requirements described in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on the Organization's major state program for the year ended December 31, 2022. The Organization's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2022.

BASIS FOR OPINION ON EACH MAJOR STATE PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's state program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

We have audited the financial statements of Special Olympics Connecticut, Inc. as of and for the year ended December 31, 2022 and have issued our report thereon dated July 31, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act 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 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

New Haven, CT
July 31, 2023

SPECIAL OLYMPICS CONNECTICUT, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2022

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Developmental Services Service/Program/Enrichment	25329-15DDS0101OT	<u>\$ 300,000</u>

See Notes to Schedule of Expenditures of State Financial Assistance.

SPECIAL OLYMPICS CONNECTICUT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED DECEMBER 31, 2022

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes state grant activity of Special Olympics Connecticut, Inc. (the Organization) under a program of the State of Connecticut for the year ended December 31, 2022. The State of Connecticut Department of Developmental Services has provided financial assistance through a grant and in accordance with the General Statutes of the State of Connecticut. That financial assistance program funds the training and outreach program of the Organization as listed on the Schedule of Expenditures of State Financial Assistance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

BASIS OF ACCOUNTING

The expenditures reported in the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

NOTE 2 – SUBRECIPIENTS

Special Olympics Connecticut, Inc. had no subrecipients for the year ended December 31, 2022.

SPECIAL OLYMPICS CONNECTICUT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2022

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

_____ Yes X No

The following schedule reflects the major program included in the audit:

State Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Department of Developmental Services Service/Program/Enrichment	25329-15DDS0101OT	\$ <u> 300,000 </u>

Dollar threshold used to distinguish between type A and type B programs: \$100,000

SPECIAL OLYMPICS CONNECTICUT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated July 31, 2023 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- There were no items to report.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE PROGRAMS

There were no findings or questioned costs related to state financial assistance programs.

IV. SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings related to State financial assistance programs in the prior year.