

**Special Olympics New Jersey, Inc.  
(A New Jersey Not-for-Profit Organization)**

**Financial Statements  
and Independent Auditor's Report**

**December 31, 2019 and 2018**

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**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statement of Functional Expenses December 31, 2019	6
Statement of Functional Expenses December 31, 2018	7
Statements of Cash Flows	8
Notes to Financial Statements	9

## Independent Auditor's Report

To the Board of Directors  
Special Olympics New Jersey, Inc.  
(A New Jersey Not-for-Profit Organization)

We have audited the accompanying financial statements of Special Olympics New Jersey, Inc. (A New Jersey Not-for-Profit Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics New Jersey, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*CohnReznick LLP*

Holmdel, New Jersey  
April 1, 2020

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>Assets</u>	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 2,706,899	\$ 2,222,005
Certificates of deposit	250,664	246,176
Pledge receivable	60,000	10,000
Grants receivable	76,116	100,000
Other receivables	104,211	140,661
Prepaid expenses and other current assets	263,320	312,982
Total current assets	3,461,210	3,031,824
Pledge receivable - noncurrent	-	10,000
Investments	7,217,841	6,078,440
Land, buildings, equipment and furniture, net	4,840,198	5,060,525
Total assets	\$ 15,519,249	\$ 14,180,789
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 525,631	\$ 497,905
Deferred revenue	611,876	530,292
Total current liabilities	1,137,507	1,028,197
Total liabilities	1,137,507	1,028,197
Net assets		
Without donor restrictions	14,321,742	13,132,592
With donor restrictions	60,000	20,000
Total net assets	14,381,742	13,152,592
Total liabilities and net assets	\$ 15,519,249	\$ 14,180,789

See Notes to Financial Statements.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Revenue without restriction and other support		
Contributions	\$ 3,230,449	\$ 3,470,643
Grants	626,404	582,271
Total	3,856,853	4,052,914
Special events revenue	5,105,029	5,169,586
Direct cost of special events	(1,446,551)	(1,546,915)
Net special events revenue	3,658,478	3,622,671
Contributed goods and services	1,504,517	1,779,120
Net assets released from restrictions	10,000	62,200
Total revenue without restriction and other support	9,029,848	9,516,905
Expenses		
Activities and program services	7,776,673	7,685,025
Fundraising	974,709	1,060,330
General and administrative	247,710	246,528
Total expenses	8,999,092	8,991,883
Nonoperating items		
Net investment return	1,158,394	(392,150)
Total nonoperating items	1,158,394	(392,150)
Change in net assets without donor restrictions	1,189,150	132,872
Change in net assets with donor restrictions		
Contributions	50,000	-
Net assets released from donor restrictions	(10,000)	(62,200)
Change in net assets with donor restrictions	40,000	(62,200)
Change in net assets	1,229,150	70,672
Net assets, beginning	13,152,592	13,081,920
Net assets, ending	\$ 14,381,742	\$ 13,152,592

See Notes to Financial Statements.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	Activities and program services			Fundraising			General and administrative	Total
	In-kind donations	Organizational expenditures	Total activities and program services	In-kind fundraising donations	Fundraising	Total fundraising		
Competition	\$ 915,666	\$ 1,296,780	\$ 2,212,446	\$ -	\$ -	\$ -	\$ -	\$ 2,212,446
Salaries	-	2,286,519	2,286,519	-	601,716	601,716	120,343	3,008,578
Employee benefits	-	534,383	534,383	-	140,627	140,627	28,125	703,135
Payroll taxes	-	184,816	184,816	-	48,636	48,636	9,727	243,179
Training	-	165,916	165,916	-	6,033	6,033	1,207	173,156
Awards	-	112,214	112,214	-	5,470	5,470	-	117,684
Equipment	-	39,766	39,766	-	5,948	5,948	1,896	47,610
Insurance	-	102,229	102,229	-	6,901	6,901	1,624	110,754
Printing	-	5,268	5,268	-	-	-	-	5,268
Supplies	-	20,349	20,349	23,897	7,131	31,028	868	52,245
Chapter fees	-	152,997	152,997	-	-	-	-	152,997
Conferences and meetings	-	42,161	42,161	-	2,130	2,130	426	44,717
Occupancy	-	85,769	85,769	-	4,637	4,637	1,789	92,195
Postage and freight	-	3,746	3,746	-	458	458	90	4,294
Telephone	-	27,490	27,490	-	5,905	5,905	1,181	34,576
Repairs and maintenance	-	112,574	112,574	-	9,915	9,915	2,223	124,712
Public relations	115,117	668,009	783,126	18,600	6	18,606	-	801,732
Direct marketing	-	13,740	13,740	-	13,740	13,740	-	27,480
Professional fees	339,264	107,817	447,081	6,240	28,373	34,613	67,380	549,074
Special events and programs	-	2,215	2,215	-	7,919	7,919	-	10,134
Grants	-	2,239	2,239	-	-	-	-	2,239
Depreciation	-	324,304	324,304	-	27,556	27,556	8,286	360,146
Miscellaneous	-	29,592	29,592	-	2,871	2,871	2,545	35,008
Direct costs	85,733	-	85,733	-	-	-	-	85,733
<b>Total functional expenses</b>	<b>\$ 1,455,780</b>	<b>\$ 6,320,893</b>	<b>\$ 7,776,673</b>	<b>\$ 48,737</b>	<b>\$ 925,972</b>	<b>\$ 974,709</b>	<b>\$ 247,710</b>	<b>\$ 8,999,092</b>

Percentage of total expenses FY 2019: Program 86% Fundraising 11% Administrative 3%

See Notes to Financial Statements.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	Activities and program services			Fundraising			General and administrative	Total
	In-kind donations	Organizational expenditures	Total activities and program services	In-kind fundraising donations	Fundraising	Total fundraising		
Competition	\$ 1,024,994	\$ 1,412,103	\$ 2,437,097	\$ -	\$ -	\$ -	\$ -	\$ 2,437,097
Salaries	-	2,119,099	2,119,099	-	557,658	557,658	111,532	2,788,289
Employee benefits	-	505,912	505,912	-	133,135	133,135	26,627	665,674
Payroll taxes	-	159,202	159,202	-	41,895	41,895	8,379	209,476
Training	-	143,530	143,530	-	4,158	4,158	832	148,520
Awards	-	72,916	72,916	-	1,496	1,496	-	74,412
Equipment	-	42,280	42,280	-	4,919	4,919	1,558	48,757
Insurance	-	101,784	101,784	-	7,331	7,331	1,715	110,830
Printing	-	3,951	3,951	-	-	-	-	3,951
Supplies	-	23,557	23,557	83,133	4,170	87,303	782	111,642
Chapter fees	-	142,088	142,088	-	-	-	-	142,088
Conferences and meetings	-	35,623	35,623	-	2,565	2,565	513	38,701
Occupancy	-	88,624	88,624	-	4,792	4,792	1,848	95,264
Postage and freight	-	4,218	4,218	-	3,220	3,220	128	7,566
Telephone	-	29,897	29,897	-	6,549	6,549	1,310	37,756
Repairs and maintenance	-	116,513	116,513	-	11,097	11,097	2,585	130,195
Public relations	147,872	534,227	682,099	54,700	38	54,738	-	736,837
Direct marketing	-	32,414	32,414	-	33,112	33,112	-	65,526
Professional fees	302,199	147,578	449,777	21,840	38,836	60,676	77,981	588,434
Special events and programs	-	920	920	-	16,183	16,183	-	17,103
Grants	-	4,916	4,916	-	-	-	-	4,916
Depreciation	-	313,152	313,152	-	24,630	24,630	7,700	345,482
Miscellaneous	-	31,074	31,074	-	4,873	4,873	3,038	38,985
Direct costs	144,382	-	144,382	-	-	-	-	144,382
<b>Total functional expenses</b>	<b>\$ 1,619,447</b>	<b>\$ 6,065,578</b>	<b>\$ 7,685,025</b>	<b>\$ 159,673</b>	<b>\$ 900,657</b>	<b>\$ 1,060,330</b>	<b>\$ 246,528</b>	<b>\$ 8,991,883</b>

Percentage of total expenses FY 2018: Program 85% Fundraising 12% Administrative 3%

See Notes to Financial Statements.



**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,229,150	\$ 70,672
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	(1,025,125)	445,932
Depreciation	360,146	345,482
Changes in operating assets and liabilities		
Pledges receivable	(40,000)	60,000
Grants and other receivables	60,334	(9,961)
Prepaid expenses and other current assets	49,662	(60,086)
Accounts payable and accrued expenses	27,726	32,354
Deferred revenue	81,584	(60,633)
	<u>743,477</u>	<u>823,760</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of certificates of deposit, net	(4,488)	(2,770)
Proceeds from sale of investments	864,502	1,073,748
Purchases of investments	(978,778)	(1,122,342)
Purchases of property and equipment	(139,819)	(126,764)
	<u>(258,583)</u>	<u>(178,128)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	484,894	645,632
Cash and cash equivalents, beginning	<u>2,222,005</u>	<u>1,576,373</u>
Cash and cash equivalents, end	<u>\$ 2,706,899</u>	<u>\$ 2,222,005</u>

See Notes to Financial Statements.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 1 - Organization**

**Business**

Special Olympics New Jersey, Inc. (the "Organization") is organized as a New Jersey not-for-profit charitable organization, incorporated in the State of New Jersey in 1973. The Organization is accredited by Special Olympics Incorporated to coordinate statewide programs of physical fitness, sports training and athletic competition for children and adults with intellectual disabilities. The Organization has activity areas throughout the state which raise funds to run these programs on a local level.

**Note 2 - Summary of significant accounting policies**

**Basis of accounting**

The financial statements have been prepared on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America.

**Adoption of new accounting pronouncement**

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. During the year ended December 31, 2019, the Organization implemented the provisions of ASU 2018-08 under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

For the year ended December 31, 2019, the Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenue.

The Organization has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

**Classification of net assets**

Net assets, revenue and releases from restrictions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and the changes therein are classified and reported in two categories of net assets.

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions, including the net investment in fixed assets, gifts with no donor restriction and current funds without donor restriction.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

With donor restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

Other donor-imposed restrictions on net assets included in this category are permanent in nature. These net assets have been restricted by donors to be maintained by the Organization either in perpetuity or until released by specific action by the Organization's Board of Directors in accordance with applicable law. The Organization's unspent contributions are included in this class if the donor limited their use.

Revenue is reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or by law.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**Contributions**

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restriction. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restriction and then released from restriction.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional. No conditional gifts or pledges for which conditions had not been substantially met were recorded in 2019.

**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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization places its temporary cash investments with high credit quality financial institutions.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Certificates of deposit**

Certificates of deposit held for investments that are not marketable equity or debt securities are recorded at cost. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets.

**Investments and investment risk**

Net investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried and fair value; and realized gains and losses on other investments. Related custodian fees are netted against investment returns.

The Organization invests in various securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risk in the near term could materially affect the investments and the amounts reported in the statements of financial position and the statements of activities and changes in net assets. Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

**Income taxes**

The Organization qualifies as a not-for-profit organization as defined by the Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes. The Organization is also exempt from state and local income taxes.

The Organization has no unrecognized tax benefits at December 31, 2019 and 2018. The Organization's federal and state information returns prior to fiscal years 2016 and 2015, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. No such amounts have been recorded for the years ended December 31, 2019 and 2018.

**Impairment of long-lived assets**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Organization compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. Management believes there is no impairment of long-lived assets at December 31, 2019 and 2018.

**Functional allocation of expenses**

Costs are allocated between activities and program services, fundraising and general and administrative based on an evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, occupancy and facility maintenance, which are allocated on a square footage basis, as well as compensation and employee benefits, employee training, information technology and office equipment costs, which are allocated on the basis of estimates of time and effort.

**Allocation of joint costs**

During the years ended December 31, 2019 and 2018, the Organization incurred joint costs of \$27,480 and \$64,828, respectively, for direct marketing activities that included fundraising appeals. For the years ended December 31, 2019 and 2018, the Organization allocated \$13,740 and \$32,414, respectively, to activities and program services and \$13,740 and \$32,414, respectively, to fundraising.

**Land, buildings, equipment and furniture**

Purchases of land, buildings, equipment and furniture are stated at cost less accumulated depreciation. The Organization capitalizes all expenditures over \$1,000. Depreciation is computed on the straight-line method using estimated useful lives of the assets, as follows:

Building and improvements	10 - 40 years
Equipment and furniture	3 - 10 years

**Revenue recognition**

**Grants**

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Our grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019 and 2018, conditional contributions approximating \$323,338 and \$343,750, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

**Contributions**

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Special events**

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received prior to the event taking place are recorded as deferred revenue in the accompanying statements of financial position. Revenue of \$530,292 was recognized during the year ended December 31, 2019 that was included in the deferred revenue balance at the beginning of the year. At December 31, 2019 the deferred revenue balance totaled \$611,876.

**Contributed goods and services**

Donated goods and services are recorded as contributions at their estimated fair values at the date of donation. Donations include facility rental time, volunteer time at various events, on-air promotion time, and meals and entertainment provided to athletes. The amount of donated goods and services for the years ended December 31, 2019 and 2018 was \$1,504,517 and \$1,779,120, respectively.

**Subsequent events**

The Organization has evaluated subsequent events through April 1, 2020, which is the date the financial statements were available to be issued.

**Note 3 - Liquidity and availability**

The Organization's working capital and cash flows have seasonable variations during the year. Traditionally, the largest and most profitable fundraising events occur in the first quarter of the year. As a result, cash receipts and the cash balances are significantly higher during the first half of the year. Additionally, the success of fundraising events is highly dependent upon the weather during the events. In recent years, the Organization has generally benefited from favorable weather conditions.

In addition to recurring annual fundraising events, the Organizations has also benefited from anniversary celebration fundraising events. These events were extremely profitable and resulted in additional cash flow. Finally, the Organization has shown continued growth in sponsorships.

During the last five years, the Organization's cash and cash equivalent balances have exceeded \$1.5 million which represents approximately two months of required working capital. During that same five-year period, the Organization has invested \$3.6 million of excess cash balances.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor restrictions within one year of the balance sheet date:

	<u>2019</u>
Cash and cash equivalents	\$ 2,706,899
Certificates of deposit	250,664
Pledge receivable, collectible in less than one year	60,000
Grants receivable, collectible in less than one year	76,116
Other receivables, collectible in less than one year	104,211
Investments	<u>7,217,841</u>
Total financial assets, excluding noncurrent receivables	10,415,731
Donor-imposed restrictions unavailable within one year due to purpose restrictions	<u>(60,000)</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 10,355,731</u></u>

**Note 4 - Concentrations of credit risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and certificates of deposit. At times during the year, the Organization's cash balances and certificates of deposit may exceed the limits of the Federal Deposit Insurance Corporation ("FDIC") coverage. At December 31, 2019, the Organization's uninsured cash and cash equivalents and certificates of deposit balances totaled approximately \$2,613,000. The Organization monitors its financial institutions and the concentrations of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

**Note 5 - Pledges and grants receivable**

Pledges and grants receivable are recorded at their net realizable value. Pledges receivable consists of one pledge of \$10,000 and one pledge of \$50,000 due over the next year. The amounts are included in net assets with restrictions.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 6 - Land, buildings, equipment and furniture**

Land, buildings, equipment and furniture at December 31, 2019 and 2018 consist of the following:

	2019	2018
Land	\$ 700,000	\$ 700,000
Buildings and improvements	7,227,135	7,147,885
Equipment, furniture and fixtures	862,243	801,673
	8,789,378	8,649,558
Less accumulated depreciation	3,949,180	3,589,033
Total	\$ 4,840,198	\$ 5,060,525

Depreciation expense for the years ended December 31, 2019 and 2018 was \$360,146 and \$345,482, respectively.

**Note 7 - Net assets with donor restrictions**

As of December 31, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to the passage of time		
Contributions receivable	\$ 60,000	\$ 20,000
	\$ 60,000	\$ 20,000

Net assets were released from donor restrictions by the expiration of a time restriction or by occurrence of other events specified by donors.

	2019	2018
Time restrictions expired		
Collection of pledges	\$ 10,000	\$ 62,200
	\$ 10,000	\$ 62,200

**Note 8 - Fair value measurements**

The Organization values its assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.



**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

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: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2019 and 2018, there were no significant transfers in or out of Levels 1, 2 or 3.

Investments carried at fair value at December 31, 2019 and 2018, are classified in the tables below in one of the three categories described above:

	Assets at fair value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 804,024	\$ -	\$ -	\$ 804,024
Mutual funds	4,057,990	-	-	4,057,990
Cash	223,657	-	-	223,657
Corporate bonds	-	2,132,170	-	2,132,170
<b>Total investments at fair value</b>	<b>\$ 5,085,671</b>	<b>\$ 2,132,170</b>	<b>\$ -</b>	<b>\$ 7,217,841</b>

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

	Assets at fair value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 613,377	\$ -	\$ -	\$ 613,377
Mutual funds	3,352,794	-	-	3,352,794
Cash	91,343	-	-	91,343
Corporate bonds	-	2,020,926	-	2,020,926
Total investments at fair value	<u>\$ 4,057,514</u>	<u>\$ 2,020,926</u>	<u>\$ -</u>	<u>\$ 6,078,440</u>

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Stocks, mutual funds, and cash securities are valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Investments in corporate bonds are valued utilizing readily available pricing sources for comparable instruments (Level 2).

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 9 - Pension plan**

The Organization maintains a 403(b) defined contribution pension plan for eligible employees. An employee may begin contributions into the plan immediately at the start of employment, but is not eligible for matching employer contributions until the plan entry date following the employee's completion of six months of employment, attainment of the age of 21 and working a minimum of 1,000 hours per year. The Organization matches a maximum of 4% of an employee's eligible wages and contributes 3% of an employee's eligible wages to the plan, and both contributions are subject to the aforementioned eligibility requirements. An individual must be employed on December 31 to be eligible for the Organization's contribution for that plan year. The Organization's contribution will be made by June 30 of the following year. Pension plan costs for the years ended December 31, 2019 and 2018 were \$154,565 and \$167,714, respectively.

**Note 10 - Related party transactions**

The Organization has a member of the Board of Directors who is a senior executive of a financial institution where the Organization maintains checking accounts and certificates of deposit. The Organization also has a member of the Board of Directors who is a senior executive of a financial institution which is a related party to another financial institution where the Organization maintains investment portfolios and the pension plan.

**Special Olympics New Jersey, Inc.**  
**(A New Jersey Not-for-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

The Organization is required to pay chapter fees to Special Olympics International ("SOI"). The amount of fees paid to SOI was \$152,997 and \$142,088 for the years ended December 31, 2019 and 2018, respectively.

**Note 11 - Commitments and contingencies**

**Leases**

The Organization is obligated under various noncancelable operating leases for equipment through February 2020. Equipment operating lease commitments for each of the years subsequent to December 31, 2019, are as follows:

2020	\$ <u>1,236</u>
Total	\$ <u><u>1,236</u></u>

Equipment expense amounted to \$7,418 for the years ended December 31, 2019 and 2018, respectively.

**Note 12 - Subsequent events**

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States, the area in which the Organization operates, and uncertainty in the financial markets. As of the date of this report, the Organization has canceled or postponed all events through May 31, 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this event. Therefore, while the Organization expects this matter to negatively impact the Organization's financial position, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.



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