

Special Olympics Pennsylvania, Inc.

Financial Statements and Supplemental Information

Years Ended December 31, 2022 and 2021



WIPFLI

Independent Auditor's Report

Board of Directors
Special Olympics Pennsylvania, Inc.
Norristown, Pennsylvania

Opinion

We have audited the accompanying financial statements of Special Olympics Pennsylvania, Inc. (the "Organization"), 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 referred to above present fairly, in all material respects, the financial position of Special Olympics Pennsylvania, 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 ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 Pennsylvania, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Pennsylvania, 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 Pennsylvania, 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.

Supplementary Information

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



Wipfli LLP

Philadelphia, Pennsylvania

June 12, 2023

Special Olympics Pennsylvania, Inc.

Statements of Financial Position

<i>As of December 31, 2022 and 2021</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,878,923	\$ 4,638,178
Certificates of deposits	-	34,067
Marketable securities	6,723,753	7,404,472
Contributions and grants receivable	509,096	929,377
Inventory	117,795	106,044
Prepaid expenses	39,554	60,542
Office and sports equipment - net of accumulated depreciation and amortization of \$812,621 and \$709,860, respectively	194,038	66,830
Right-of-use asset, net of accumulated amortization of \$163,758	1,659,182	-
TOTAL ASSETS	\$ 14,122,341	\$ 13,239,510
LIABILITIES		
Accounts payable and accrued expenses	\$ 408,906	\$ 333,293
Accrued payroll	83,186	74,920
Refundable advance	652,467	634,917
Operating lease liabilities	1,677,359	-
Total Liabilities	2,821,918	1,043,130
NET ASSETS		
Without donor restrictions	10,514,178	11,496,061
With donor restrictions	786,245	700,319
Total Net Assets	11,300,423	12,196,380
TOTAL LIABILITIES AND NET ASSETS	\$ 14,122,341	\$ 13,239,510

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statements of Activities

<i>Years Ended December 31, 2022 and 2021</i>	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Direct marketing contributions	\$ 1,397,460	\$ -	\$ 1,397,460	\$ 1,751,781	\$ -	\$ 1,751,781
Contributions and grants	6,305,566	220,789	6,526,355	5,010,008	116,316	5,126,324
In-Kind	691,020	-	691,020	621,832	-	621,832
Special events	2,843,127	-	2,843,127	1,787,649	-	1,787,649
Investment income (loss)	(762,456)	(62,754)	(825,210)	822,267	56,623	878,890
Other income	46,640	-	46,640	32,759	-	32,759
Net assets released from restrictions	72,109	(72,109)	-	52,413	(52,413)	-
Total support and revenue	10,593,466	85,926	10,679,392	10,078,709	120,526	10,199,235
Expenses:						
Program Services:						
Games and competition	3,717,703	-	3,717,703	1,656,061	-	1,656,061
Sports training	659,610	-	659,610	393,971	-	393,971
Field services and outreach	1,945,121	-	1,945,121	1,732,658	-	1,732,658
Communications	816,371	-	816,371	865,958	-	865,958
Total program services	7,138,805	-	7,138,805	4,648,648	-	4,648,648
Management and general	1,906,042	-	1,906,042	1,208,753	-	1,208,753
Fundraising	2,530,502	-	2,530,502	2,211,632	-	2,211,632
Total expenses	11,575,349	-	11,575,349	8,069,033	-	8,069,033
Change in net assets	(981,883)	85,926	(895,957)	2,009,676	120,526	2,130,202
Net assets - Beginning of year	11,496,061	700,319	12,196,380	9,486,385	579,793	10,066,178
Net assets - End of year	\$ 10,514,178	\$ 786,245	\$ 11,300,423	\$ 11,496,061	\$ 700,319	\$ 12,196,380

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2022</i>	PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS				
Salary and benefits	\$ 958,958	\$ 89,354	\$ 1,138,527	\$ 288,349	\$ 1,421,390	\$ 624,817	\$ 4,521,395	
Accreditation fee	45,926	2,712	49,483	14,581	12,644	19,054	144,400	
Contracted services	168,084	27,038	251,797	78,062	45,370	290,238	860,589	
Depreciation and amortization	30,380	1,794	32,736	9,646	15,600	12,605	102,761	
Educational materials	581	-	235	353,093	-	-	353,909	
Facilities and meals	462,988	216,207	53,142	1,486	13,331	208,996	956,150	
Hotels	382,053	9,888	73,171	313	6,008	18,168	489,601	
In-kind expenses	6,082	76,905	1,100	-	13,400	593,533	691,020	
Insurance	45,445	4,010	48,534	14,301	12,401	20,688	145,379	
Office administration	187,769	43,688	117,828	37,018	285,248	57,579	729,130	
Printed materials	61,601	10,335	64,072	7,359	2,346	42,199	187,912	
Professional development	-	143	36	-	-	-	179	
Professional fees	233,001	4,763	21,259	1,800	1,035	69,048	330,906	
Registration fees	47,395	828	6,901	-	16,304	10,478	81,906	
Service charges	16,254	523	31,298	3,275	36,107	146,192	233,649	
Sports equipment and uniforms	633,106	127,980	55,002	2,941	24,858	142,785	986,672	
Telemarketing	-	-	-	-	-	190,127	190,127	
Travel	438,080	43,442	-	4,147	-	83,995	569,664	
Total	\$ 3,717,703	\$ 659,610	\$ 1,945,121	\$ 816,371	\$ 1,906,042	\$ 2,530,502	\$ 11,575,349	

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2021</i>	PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS				
Salary and benefits	\$ 739,613	\$ 83,575	\$ 1,177,690	\$ 297,299	\$ 904,061	\$ 717,298	\$ 3,919,536	
Accreditation fee	22,258	1,817	44,214	11,175	10,054	22,531	112,049	
Contracted services	145,978	14,020	179,408	33,476	24,843	166,759	564,484	
Depreciation and amortization	8,324	680	16,536	4,179	10,966	8,426	49,111	
Educational materials	149	36	333	465,868	-	-	466,386	
Facilities and meals	48,434	96,213	32,133	261	4,210	57,202	238,453	
Service charges	-	-	-	-	-	-	-	
Hotels	123,464	2,389	1,827	177	246	8,105	136,208	
In-kind expenses	440	34,278	900	-	3,350	582,864	621,832	
Insurance	24,559	2,805	48,784	12,330	11,782	24,860	125,120	
Interest expense	-	-	-	-	41	-	41	
Office administration	74,508	50,799	103,575	28,382	147,883	98,967	504,114	
Grant expense	-	-	-	7,162	-	-	7,162	
Printed materials	41,188	5,505	25,528	1,731	2,934	34,022	110,908	
Professional development	-	-	105	-	-	-	105	
Professional fees	165,544	20,886	22,775	352	3,992	24,312	237,861	
Registration fees	37,859	919	2,884	15	2,064	152	43,893	
Service charges	284	-	11,623	25	52,558	83,792	148,282	
Sports equipment and uniforms	190,331	72,689	21,405	1,200	28,511	106,257	420,393	
Telemarketing	-	-	2,000	-	-	255,592	257,592	
Travel	33,128	7,360	40,938	2,326	1,258	20,493	105,503	
Total	\$ 1,656,061	\$ 393,971	\$ 1,732,658	\$ 865,958	\$ 1,208,753	\$ 2,211,632	\$ 8,069,033	

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statements of Cash Flows

<i>Years Ended December 31, 2022 and 2021</i>	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (895,957)	\$ 2,130,202
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	102,761	49,111
Net realized and unrealized loss (gain) on marketable securities	965,249	(733,885)
Noncash lease expense	163,758	-
(Increase) decrease in assets		
Contributions and grants receivable	420,281	(108,416)
Inventory	(11,751)	(21,167)
Prepaid expenses	20,988	(51,714)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	75,613	255,610
Accrued payroll	8,266	31,400
Refundable advance	17,550	35,160
Payments on operating lease obligations	(145,581)	-
Net Cash Flows Provided by Operating Activities	721,177	1,586,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(284,530)	(219,398)
Redemption of certificates of deposit	34,067	214,798
Purchase of equipment	(229,969)	(65,231)
Net Cash Flows Used in Investing Activities	(480,432)	(69,831)
NET CHANGE IN CASH AND CASH EQUIVALENTS	240,745	1,516,470
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,638,178	3,121,708
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,878,923	\$ 4,638,178

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Special Olympics Pennsylvania, Inc. (the "Organization"), is a 501(c)(3) nonprofit corporation that provides year-round training and competition in 23 Olympic-type sports to approximately 13,000 children and adults with intellectual disabilities or closely related developmental disabilities. Over 300 local, sectional (regional), and state level competitions are hosted each year. Programs and services are delivered through the efforts of more than 42,000 volunteers and 54 local programs throughout the Commonwealth of Pennsylvania. The Organization is a fully accredited program of Special Olympics, Inc. (SOI). The Organization's support is primarily from volunteer organized fundraising, individual and corporate contributions, special events, and direct marketing contributions.

All Special Olympics activities are provided without charge to the athletes or their families.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and reporting for voluntary health and welfare organizations. These statements include the accounts of Special Olympics Pennsylvania - State Office and the 54 local counties' Special Olympics programs operating in Pennsylvania.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical assets or liabilities in an active market that the entity has the ability to access and are the most observable. Level 2 inputs include quoted market prices for similar assets or liabilities and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable inputs in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value of Assets and Liabilities (Continued)

The Organization reports its investments at fair value. The fair value of exchange traded funds and stocks is based on quoted market prices in active markets and are therefore considered Level 1 measurements. The fair value of bonds is based on the yields currently available on comparable securities of issuers with similar credit ratings and are therefore considered as Level 2 measurements.

The fair value of all certificates of deposit is estimated using rates offered for deposits of similar maturities and are therefore considered as Level 2 measurements. Certificates of deposit are recorded at cost, which approximates fair value. The certificates of deposit have initial maturities in excess of three months.

Contributions and Grants Receivable

The Organization provides for uncollectible contributions and grants receivable using the allowance method, which is based on management's judgment concerning historical collectibility and analysis of individual contributions and grants receivable. Past due receivables are individually analyzed for collectibility and written off when all efforts at collection have been exhausted. There was no allowance as of December 31, 2022 and 2021.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out method.

Equipment

The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$2,500; the fair value of donated equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets 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 or grantor 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. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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 law.

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Bequests are recognized at the time an unassailable right to the gift has been established and the proceeds are measurable.

Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions.

Revenue Recognition

Contributions and Grants

The Organization recognizes contributions and grants when cash, securities or other assets or an unconditional promise to give is received. Transactions where the resource provider receives 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 recorded as a refundable advance on the statement of financial position. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

In-kind Contributions

For the years ended December 31, 2022 and 2021, gifts in-kind recognized within the statements of activities included:

	2022	2021
Media services	\$ 586,299	\$ 576,026
Facilities	89,880	36,716
Material and supplies	14,841	9,090
Total	\$ 691,020	\$ 621,832

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Media services consist primarily of public service announcements and are valued and reported at the estimated fair value based on current rates for similar services within the Pennsylvania market.

The fair value of facility usage was based on comparable rental prices within regions in Pennsylvania which would need to be secured if the facility use was not donated.

Material and supplies were valued at estimated wholesale values that would be paid for similar products within Pennsylvania.

Special Events

Revenues from special events consist of event sponsorships, ticket sales and donations. The exchange component of the ticket sales is equal to the cost of the direct benefit to the donor which approximates fair value and was \$58,000 and \$45,000 for the years ended December 31, 2022 and 2021, respectively. The contribution component of the ticket sales is the difference between the ticket price and the exchange portion. The typical performance obligation to the ticket holder is providing a meal, a round of golf and auction items at the event which are provided at a point in time. Ticket sales revenue is based on a per-ticket rate and is due at the time of purchase. Special event revenues collected in advance of the event taking place are recognized as deferred revenue and recognized as special event revenue when the event occurs. For the years ended December 31, 2022 and 2021, the direct costs of special events were \$1,040,810 and \$797,524, respectively, and are included in various categories in the statements of functional expenses.

Accounting Standards Codification (ASC) 842 Lease Accounting

The Organization is a lessee in multiple noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and operating lease liabilities are recognized at the lease commencement date (or the date of adoption of ASC 842, whichever is later) based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounting Standards Codification (ASC) 842 Lease Accounting (Continued)

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in office administration on the statements of functional expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

For all other underlying classes of assets, the Organization separates lease and non-lease components to determine the lease payment.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation, information technology, insurance, accreditation fees, and salaries and related benefits. Depreciation, accreditation fees, information technology and insurance are allocated based on full time employee equivalent ("FTE"). Salaries and related benefits are allocated based on functional area of work.

The Organization achieves some of its programmatic and fundraising goals in telemarketing campaigns that include requests for contributions. For the years ended December 31, 2022 and 2021, the cost of conducting those campaigns included \$543,220 and \$721,460, respectively, of joint costs that are not directly attributable to either the program or the fundraising component of the activities. Those joint costs were allocated as follows:

<i>Years Ended December 31,</i>	2022	2021
Program - Communications	\$ 353,093	\$ 465,868
Fundraising	190,127	255,592
Total	\$ 543,220	\$ 721,460

Educational materials are identified as program costs in the statements of functional expenses.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2016-02, Leases ("Topic 842"). ASU 2016-02, along with its related amendments and improvements, which is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statements of financial position. This accounting update also requires additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended December 31, 2022 with modified retrospective application to January 1, 2022 through a cumulative-effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, as of January 1, 2022, the Organization recognized ROU assets and operating lease obligations of \$1,162,934.

The standard did not have a material impact on the Organization's operating activities, net assets or cash flows from operations. The most significant impact was the recognition of the ROU assets and lease obligations for operating leases.

Note 2: Tax Status

The Organization is incorporated under the Commonwealth of Pennsylvania (Commonwealth) Not-for-Profit Corporation Law and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is registered as required with the Pennsylvania Bureau of Charitable Organizations. Tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal purposes are generally the previous three years of tax returns filed.

Note 3: Related Parties

The Organization is accredited by Special Olympics, Inc. (SOI) to conduct Special Olympics activities within the Commonwealth of Pennsylvania. For the years ended December 31, 2022 and 2021, the Organization paid \$144,400 and \$112,049, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2022 and 2021, \$160,330 and \$344,219, respectively, due from SOI cooperative national fundraising projects are reported as contributions receivable in the statements of financial position. The Organization has a direct marketing fundraising agreement with SOI which raised \$1,397,460 and \$1,751,781 direct marketing contributions from unrelated parties for the years ended December 31, 2022 and 2021, respectively.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 3: Related Parties (Continued)

For the years ended December 31, 2022 and 2021, expenses incurred relating to the agreement were \$543,220 and \$716,719, respectively, which are recorded in educational materials and telemarketing expenses on the statements of functional expenses. For the years ended December 31, 2022 and 2021, SOI provided grants to the Organization of \$703,141 and \$370,959, respectively, which are recorded in contributions and grants without donor restrictions.

Note 4: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

<i>As of December 31,</i>	2022	2021
Cash and cash equivalents	\$ 4,878,923	\$ 4,638,178
Certificates of deposit	-	34,067
Marketable securities	6,723,753	7,404,472
Contributions and grants receivable	509,096	929,377
Financial assets	12,111,772	13,006,094
Less: Donor restricted funds included in cash and cash equivalents, receivables and marketable securities	(786,245)	(700,319)
Total	\$ 11,325,527	\$ 12,305,775

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents of approximately four months of operating expenses. In the event of an unanticipated liquidity need, the Organization could draw upon available lines of credit as described in Note 8.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 5: Marketable Securities

Marketable securities, at fair value, as of December 31, 2022 consist of the following:

<i>As of December 31, 2022</i>	Level 1	Level 2	Total
Money Market Fund	\$ 621,601	\$ -	\$ 621,601
Exchange Traded Funds			
Large blend	97,974	-	97,974
Mid-cap blend	168,114	-	168,114
Small blend	280,418	-	280,418
Foreign large blend	178,941	-	178,941
Foreign small/mid blend	74,846	-	74,846
Intermediate term bond fund	194,961	-	194,961
Consumer goods	42,647	-	42,647
Emerging markets	381,819	-	381,819
Energy	57,945	-	57,945
Healthcare	147,845	-	147,845
Financial	368,247	-	368,247
International	197,990	-	197,990
Total Exchange Traded Funds	2,191,747	-	2,191,747
Stocks			
Basic material	254,781	-	254,781
Consumer goods	675,469	-	675,469
Financial	340,835	-	340,835
Healthcare	639,146	-	639,146
Industrial goods	180,218	-	180,218
Services	254,345	-	254,345
Technology	768,738	-	768,738
Total Stocks	3,113,532	-	3,113,532
Bonds			
US Treasury bonds	-	196,512	196,512
Municipal bonds	-	79,371	79,371
Corporate	-	520,990	520,990
Total Bonds	-	796,873	796,873
Total Marketable Securities	\$ 5,926,880	\$ 796,873	\$ 6,723,753

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 5: Marketable Securities (Continued)

Marketable securities, at fair value, as of December 31, 2021 consist of the following:

<i>As of December 31, 2021</i>	Level 1	Level 2	Total
Money Market Fund	\$ 461,984	\$ -	\$ 461,984
Exchange Traded Funds			
Large blend	121,632	-	121,632
Mid-cap blend	103,324	-	103,324
Small blend	339,293	-	339,293
Foreign large blend	216,680	-	216,680
Foreign small/mid blend	97,523	-	97,523
Intermediate term bond fund	308,002	-	308,002
Consumer goods	121,606	-	121,606
Emerging markets	542,990	-	542,990
Natural resources	86,741	-	86,741
Financial	341,661	-	341,661
International	283,983	-	283,983
Fixed income mutual fund	40,442	-	40,442
Total Exchange Traded Funds	2,603,877	-	2,603,877
Stocks			
Basic material	344,664	-	344,664
Consumer goods	703,973	-	703,973
Financial	365,037	-	365,037
Healthcare	598,241	-	598,241
Industrial goods	91,119	-	91,119
Services	432,520	-	432,520
Technology	824,791	-	824,791
Total Stocks	3,360,345	-	3,360,345
Bonds			
US Treasury bonds	-	226,090	226,090
Municipal bonds	-	34,109	34,109
Corporate	-	718,067	718,067
Total Bonds	-	978,266	978,266
Total Marketable Securities	\$ 6,426,206	\$ 978,266	\$ 7,404,472

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 5: Marketable Securities (Continued)

These marketable securities are exposed to various risks such as market volatility, interest rate and credit risks. Due to the level of risk associated with marketable securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The following is a summary of the investment income (loss) in the statements of activities:

<i>Years Ended December 31,</i>	2022	2021
Net realized and unrealized gains (losses)	\$ (965,249)	\$ 733,885
Interest and dividends	138,565	141,949
Total	\$ (826,684)	\$ 875,834

Also included in investment income (loss) in the statements of activities is interest earned from certificates of deposit and interest-bearing checking and savings accounts, and investment fees.

Note 6: Contributions and Grants Receivable

Contributions and grants receivable as of December 31, 2022 and 2021, are due as follows:

<i>As of December 31,</i>	2022	2021
Due within 1 year	\$ 434,096	\$ 761,377
Due within 2 to 5 years	75,000	168,000
Total	\$ 509,096	\$ 929,377

Note 7: Refundable Advances

The Organization operates its programs with funding from various grants and contracts. At December 31, 2022 and 2021, the Organization received funds in excess of expenditures on certain grants and contracts, which resulted in a refundable advance. The following details the refundable advance at December 31, 2022 and 2021:

	2022	2021
SBA Paycheck Protection Program	\$ -	\$ 634,917
Commonwealth of Pennsylvania	652,467	-
Total	\$ 652,467	\$ 634,917

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 7: Refundable Advances (Continued)

At December 31, 2021, the Organization had a refundable advance of \$634,917 representing the receipt of an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Organization has determined the award represents a conditional grant and applied the policy as described in Note 2. Accordingly, the award was reported as a refundable advance liability until the conditions were substantially met or explicitly waived.

On June 1, 2022, the Organization received notification that the SBA approved full forgiveness of the award amount, and the \$634,917 was recorded as contributions without donor restrictions in the statement of activities for the year ended December 31, 2022.

Note 8: Line of Credit

The Organization has an unsecured line of credit with a commercial bank providing for borrowings up to \$500,000. Advances bear interest at the Wall Street Journal prime rate plus 1% (8.50% effective rate at December 31, 2022). There was \$500,000 unused and available on the line of credit as of December 31, 2022. The line of credit will continue until it is terminated by either party.

The Organization has a line of credit with The Haverford Trust Company providing for borrowings up to \$4,000,000. The line of credit is secured by the investments held in custody by The Haverford Trust Company. The annual percentage rate on the Organization's line of credit is subject to change from time to time based on changes in the JP Morgan Chase Guaranty Prime Rate Floating (6.50% effective rate at December 31, 2022). There was \$4,000,000 unused and available on the line of credit as of December 31, 2022. The line of credit will continue until it is terminated by either party.

Note 9: Leases

The Organization conducts its operations from facilities that are leased under operating leases expiring in various years through 2031. The Organization also utilizes office equipment and storage units that are leased under operating leases expiring in various years through 2024. The facility leases contain an option to renew the lease, which will extend the term from five to ten years. The renewal options have been recognized in the respective ROU asset and liability. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for many of the Organization's leases, variable payments. The Organization's office space leases require it to make variable payments for the Organization's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 9: Leases (Continued)

Lease expense for operating leases was \$189,659 for the year ended December 31, 2022, which includes operating lease costs of \$163,758 and variable lease cost of \$25,901. These costs are included in office administration on the statement of functional expenses.

Other information related to leases is as follows for the year ended December 31, 2022:

Right-of-use assets obtained in exchange for new operating lease liabilities	\$	660,006
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	171,482
Weighted-average remaining lease term - Operating lease		8.2 years
Weighted-average discount rate - Operating lease		2.02 %

Maturities of lease liabilities are as follows as of December 31, 2022:

Years ending December 31,

2023	\$	225,494
2024		229,984
2025		223,588
2026		224,923
2027		198,628
Thereafter		721,638

Total lease payments		1,824,255
Less imputed interest		(146,896)

Total	\$	1,677,359
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As previously disclosed in the Organization's financial statements as of December 31, 2021 and pursuant to FASB ASC 840, Leases, the predecessor to FASB ASC 842, future minimum lease payments for operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2021 were as follows:

2022	\$	155,361
2023		153,451
2024		145,321
2025		144,586
2026		123,871
Thereafter		435,018

Total	\$	1,157,608
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Rent expense totaled \$262,750 for the year ended December 31, 2021.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 10: Retirement Plan

The Organization has a retirement plan covering eligible employees which provides for contributions at the discretion of the Organization and also contains a 401(k) feature which provides for salary reduction and certain employer matching contributions. Retirement plan expense was \$169,994 and \$165,152 for the years ended December 31, 2022 and 2021, respectively.

Note 11: Net Assets Without and With Donor Restrictions

The Board of Directors had designated a portion of the net assets without donor restrictions for support of capital projects necessary to assist participating athletes, the Unified Champions School initiative, and the Al Senavitis Mission Impact Fund to provide resources to ensure athletes in every part of the state are being served with opportunities, programs and competitions. The balance of Board designated net assets was \$797,738 and \$618,827 at December 31, 2022 and 2021, respectively.

Net assets with donor restrictions are restricted for the following purposes:

<i>As of December 31,</i>	2022	2021
Transportation and related costs to non-local competition events	\$ 379,657	\$ 443,311
Healthy athletes	149,856	172,768
Other	256,732	84,240
Total	\$ 786,245	\$ 700,319

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

<i>Years Ended December 31,</i>	2022	2021
Transportation and related costs to non-local competition events	\$ 9,321	\$ 20,999
Healthy athletes	62,788	31,414
Total	\$ 72,109	\$ 52,413

Note 12: Concentrations

At December 31, 2022, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2022, the Organization's uninsured cash balances totaled approximately \$3,873,000. Management believes that credit risk related to these deposits is minimal.

Note 13: Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 12, 2023, the date the financial statements were available to be issued.

Supplemental Information

Special Olympics Pennsylvania, Inc.

Schedules of Activities - Home Office

Years Ended December 31, 2022 and 2021	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Direct marketing contributions	\$ 1,397,460	\$ -	\$ 1,397,460	\$ 1,751,781	\$ -	\$ 1,751,781
Contributions and grants	5,294,958	220,789	5,515,747	4,395,119	116,316	4,511,435
In-kind	495,056	-	495,056	576,026	-	576,026
Special events	1,992,210	-	1,992,210	1,351,618	-	1,351,618
Investment income (loss)	(303,009)	(38,013)	(341,022)	330,253	31,814	362,067
Other income	46,510	-	46,510	30,075	-	30,075
Net assets released from restrictions	62,788	(62,788)	-	31,414	(31,414)	-
Total support and revenue	8,985,973	119,988	9,105,961	8,466,286	116,716	8,583,002
Expenses:						
Program Services:						
Games and competition	3,091,765	-	3,091,765	1,500,132	-	1,500,132
Sports training	271,030	-	271,030	204,166	-	204,166
Field services and outreach	2,062,137	-	2,062,137	1,910,240	-	1,910,240
Communications	812,802	-	812,802	862,026	-	862,026
Total program services	6,237,734	-	6,237,734	4,476,564	-	4,476,564
Management and general	540,687	-	540,687	442,564	-	442,564
Fundraising	2,168,161	-	2,168,161	2,083,524	-	2,083,524
Total expenses	8,946,582	-	8,946,582	7,002,652	-	7,002,652
Change in net assets	39,391	119,988	159,379	1,463,634	116,716	1,580,350
Net assets - Beginning of year	4,160,850	509,561	4,670,411	2,697,216	392,845	3,090,061
Net assets - End of year	\$ 4,200,241	\$ 629,549	\$ 4,829,790	\$ 4,160,850	\$ 509,561	\$ 4,670,411

See Independent Accountant's Audit Report on Supplemental Information.