

Special Olympics Pennsylvania, Inc.

Financial Statements and Supplemental Information

Years Ended December 31, 2019 and 2018



WIPFLI

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Pennsylvania, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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; 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. 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 Pennsylvania, 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.

Emphasis of Matter

As discussed in Note 1 of the financial statements, Special Olympics Pennsylvania, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topics 606)* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as of and for the year ended December 31, 2019. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of activities - home office are presented for the purpose of additional analysis 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Wipfli LLP

June 24, 2020
Philadelphia, Pennsylvania

Special Olympics Pennsylvania, Inc.

Statements of Financial Position

<i>As of December 31, 2019 and 2018</i>	2019	2018 (RESTATED)
ASSETS		
Cash and cash equivalents	\$ 4,521,439	\$ 4,707,024
Certificates of deposits	1,320,898	1,371,426
Marketable securities	3,772,340	2,787,589
Contributions receivable	982,952	668,540
Inventory	75,151	80,367
Prepaid expenses	32,368	45,584
Office and sports equipment - net of accumulated depreciation and amortization of \$599,604 and \$527,360, respectively	74,431	100,301
TOTAL ASSETS	\$ 10,779,579	\$ 9,760,831
LIABILITIES		
Accounts payable and accrued expenses	\$ 606,668	\$ 251,237
Accrued payroll	108,115	95,618
Refundable advance	536,518	507,622
Total Liabilities	1,251,301	854,477
NET ASSETS		
Without donor restrictions	8,972,167	8,409,932
With donor restrictions	556,111	496,422
Total Net Assets	9,528,278	8,906,354
TOTAL LIABILITIES AND NET ASSETS	\$ 10,779,579	\$ 9,760,831

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statements of Activities

<i>Years Ended December 31, 2019 and 2018</i>	2019			2018 (RESTATED)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Support and Revenue:					
Direct marketing contributions	\$ 1,544,378	\$ -	\$ 1,544,378	\$ 1,566,260	\$ -	\$ 1,566,260
Contributions and grants	5,311,338	82,840	5,394,178	4,795,031	74,657	4,869,688
Special events	2,719,255	-	2,719,255	2,772,835	-	2,772,835
Investment income (loss)	548,836	87,711	636,547	(162,075)	5,183	(156,892)
Other income	1,987	-	1,987	28,780	-	28,780
Net assets released from restrictions	110,862	(110,862)	-	88,530	(88,530)	-
Total support and revenue	10,236,656	59,689	10,296,345	9,089,361	(8,690)	9,080,671
Expenses:						
Program Services:						
Games and competition	3,393,569	-	3,393,569	3,483,807	-	3,483,807
Sports training	745,970	-	745,970	684,862	-	684,862
Field services and outreach	1,682,185	-	1,682,185	1,483,969	-	1,483,969
Communications	783,629	-	783,629	741,714	-	741,714
Total program services	6,605,353	-	6,605,353	6,394,352	-	6,394,352
Management and general	784,349	-	784,349	836,141	-	836,141
Fundraising	2,284,719	-	2,284,719	1,991,419	-	1,991,419
Total expenses	9,674,421	-	9,674,421	9,221,912	-	9,221,912
Change in net assets	562,235	59,689	621,924	(132,551)	(8,690)	(141,241)
Net assets - Beginning of year (RESTATED)	8,409,932	496,422	8,906,354	8,542,483	505,112	9,047,595
Net assets - End of year	\$ 8,972,167	\$ 556,111	\$ 9,528,278	\$ 8,409,932	\$ 496,422	\$ 8,906,354

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS				
Salary and benefits	\$ 779,216	\$ 70,487	\$ 974,553	\$ 251,506	\$ 471,268	\$ 603,014	\$ 3,150,044	
Accreditation fee	28,908	2,140	52,891	17,390	11,394	28,087	140,810	
Contracted services	125,927	18,182	158,287	24,785	16,118	288,995	632,294	
Depreciation and amortization	11,146	825	20,393	6,705	22,345	10,830	72,244	
Educational materials	-	54	48	416,818	-	-	416,920	
Facilities and meals	487,102	253,416	111,284	1,979	27,602	213,699	1,095,082	
Service charges	319	-	11,127	-	53,923	94,827	160,196	
Hotels	441,045	14,175	26,371	556	14,810	23,958	520,915	
In-kind expenses	137,905	163,282	3,367	-	7,082	233,063	544,699	
Insurance	26,470	3,059	46,031	15,108	10,709	25,372	126,749	
Office administration	62,626	33,272	87,806	29,810	94,556	79,534	387,604	
Grant expense	23,687	-	-	-	-	-	23,687	
Printed materials	117,338	10,768	43,569	6,249	2,772	70,359	251,055	
Professional fees	134,998	20,370	50,820	3,990	12,134	57,962	280,274	
Registration fees	55,811	268	-	53	761	28,753	85,646	
Sports equipment and uniforms	416,156	104,048	71,880	3,230	32,649	238,163	866,126	
Telemarketing	-	-	-	-	-	224,415	224,415	
Travel	544,915	51,624	23,758	5,450	6,226	63,688	695,661	
Total	\$ 3,393,569	\$ 745,970	\$ 1,682,185	\$ 783,629	\$ 784,349	\$ 2,284,719	\$ 9,674,421	

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2018</i>	PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS				
Salary and benefits	\$ 728,631	\$ 78,379	\$ 910,313	\$ 239,007	\$ 462,102	\$ 578,399	\$ 2,996,831	
Accreditation fee	101,554	9,641	19,736	-	-	-	130,931	
Contracted services	98,229	10,217	119,304	26,699	65,819	238,372	558,640	
Depreciation and amortization	18,989	1,066	22,529	5,898	19,646	10,848	78,976	
Educational materials	-	-	2	426,641	-	-	426,643	
Facilities and meals	504,894	283,802	108,590	573	21,017	191,532	1,110,408	
Service charges	1,437	2,480	3,780	-	45,318	122,421	175,436	
Hotels	437,791	10,979	35,634	422	12,984	18,469	516,279	
In-kind expenses	110,314	116,133	2,465	-	11,053	138,688	378,653	
Insurance	81,397	11,665	17,241	-	5,694	1,980	117,977	
Office administration	176,251	35,266	64,655	22,638	140,079	86,598	525,487	
Printed materials	71,805	8,192	40,680	6,328	2,240	90,551	219,796	
Professional fees	172,160	5,122	28,439	360	3,704	14,702	224,487	
Registration fees	1,755	-	-	-	852	5,880	8,487	
Sports equipment and uniforms	395,535	74,091	71,378	3,271	26,739	219,542	790,556	
Telemarketing	-	-	-	-	-	229,382	229,382	
Travel	583,065	37,829	39,223	9,877	18,894	44,055	732,943	
Total	\$ 3,483,807	\$ 684,862	\$ 1,483,969	\$ 741,714	\$ 836,141	\$ 1,991,419	\$ 9,221,912	

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statements of Cash Flows

<i>Years Ended December 31, 2019 and 2018</i>	2019	2018 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 621,924	\$ (141,241)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	72,244	78,976
Net realized and unrealized (gain) loss on marketable securities	(511,660)	251,286
(Increase) decrease in assets		
Contributions receivable	(314,412)	(81,095)
Inventory	5,216	(10,041)
Prepaid expenses	13,216	(11,390)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	355,431	(139,918)
Accrued payroll	12,497	20,664
Refundable advance	28,896	332,840
Net Cash Provided by Operating activities	283,352	300,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(502,340)	(165,632)
Proceeds from sales of marketable securities	29,249	281,043
Redemption of certificates of deposit	81,898	230,520
Purchase of certificates of deposit	(31,370)	(173,009)
Purchase of equipment	(46,374)	(82,746)
Net Cash Provided by (Used in) Investing Activities	(468,937)	90,176
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(185,585)	390,257
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,707,024	4,316,767
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,521,439	\$ 4,707,024

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 21 Olympic-type sports to approximately 20,000 children and adults with intellectual disabilities or closely related developmental disabilities. More than 300 local, sectional (regional), and state level competitions are hosted each year. Programs and services are delivered through the efforts of approximately 30,000 volunteers and 55 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 55 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.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value of Assets and Liabilities

Fair value is defined as 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, 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.

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 as 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 Receivable

The Organization provides for uncollectible contributions receivable using the allowance method, which is based on management's judgment concerning historical collectability and analysis of individual contributions receivable. Past due receivables are individually analyzed for collectability and written off when all efforts at collection have been exhausted. There was no allowance as of December 31, 2019 and 2018.

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 \$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. Equipment acquired by capital leases is amortized over the terms of the lease or the estimated useful life of the equipment, whichever is shorter.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

The Organization recognizes contributions 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.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

In-kind Contributions

The Organization recognizes donated services, if any, 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. Contributed services, consisting primarily of public service announcements, for the years ended December 31, 2019 and 2018 were \$243,027 and \$141,725, respectively. In addition, a substantial number of volunteers donated significant amounts of their time to assist in the Organization's activities, which do not meet the recognition criteria described above and accordingly have not been reflected in the accompanying financial statements.

The Organization records the value of contributed goods when there is an objective basis available to measure their value. Contributed materials and equipment are recorded as revenue at their estimated values at date of receipt. Management's estimates and assumptions affect the reported contributed revenues and corresponding expenses. Contributed goods, consisting primarily of housing, food, materials and facilities, for the years ended December 31, 2019 and 2018 were \$301,672 and \$236,928, respectively.

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, if applicable. For the years ended December 31, 2019 and 2018, the direct costs of special events were \$813,027 and \$985,597, respectively, and are included in various categories in the statements of functional expenses.

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, 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. Accreditation fees are allocated to the program area based on FTE's.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Expense Allocation (Continued)

The Organization achieves some of its programmatic and fundraising goals in telemarketing campaigns that include requests for contributions. For the years ended December 31, 2019 and 2018, the cost of conducting those campaigns included \$641,233 and \$656,023, 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>	2019	2018
Program - Communications	\$ 416,818	\$ 426,641
Fundraising	224,415	229,382
Total	\$ 641,233	\$ 656,023

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

Change in Accounting Policy

For the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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 adopted this ASU using the modified retrospective method applied to open contracts and only to the version of contracts in effect as of January 1, 2019. In accordance with the modified retrospective method, the Organization's previously issued financial statements have not been restated to comply with ASC 606 and the Organization did not have a cumulative-effect adjustment to net assets. The adoption of ASC 606 had no significant impact on the timing of revenue recognition compared to previously reported results.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy (Continued)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. During the year ended December 31, 2019, the Organization implemented the provisions of ASU 2018-08 retrospectively.

Net assets as of January 1, 2018 were decreased by \$174,782 to record the cumulative effect of the restatement. The effect of adopting ASU 2018-08 on the changes in net assets and financial position as of and for the year ended December 31, 2018 are as follow:

	As reported December 31, 2018	Adjustment due to ASU 2018-08	Adjusted December 31, 2018
Contributions receivable	\$ 834,790	\$ (166,250)	\$ 668,540
Refundable advance	-	507,622	507,622
Net assets with donor restrictions	1,170,294	(673,872)	496,422
Revenues, gains, and other support	9,579,761	(499,090)	9,080,671
Expenses	9,221,912	-	9,221,912
Change in net assets	357,849	(499,090)	(141,241)

Restatements were primarily the result of certain contributions being deemed conditional and other revenue sources meeting the criteria of contributions under the new standards.

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.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

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, 2019 and 2018, the Organization paid \$140,810 and \$130,931, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2019 and 2018, \$143,780 and \$313,713, 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 \$1,330,467 and \$1,315,572 direct marketing contributions from unrelated parties for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, expenses incurred relating to the agreement were \$532,187 and \$526,309, respectively. For the years ended December 31, 2019 and 2018, SOI provided grants to the Organization of \$323,011 and \$225,000, 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>	2019	2018 (RESTATED)
Cash and cash equivalents	\$ 4,521,439	\$ 4,707,024
Certificates of deposit	1,320,898	1,371,426
Marketable securities	3,772,340	2,787,589
Contributions receivable	606,111	619,610
Financial assets	10,220,788	9,485,649
Less: Donor restricted funds included in cash and cash equivalents, receivables and investments	(556,111)	(496,422)
Total	\$ 9,664,677	\$ 8,989,227

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 also could draw upon \$500,000 of available line of credit.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 5: Marketable Securities

Marketable securities, at fair value, as of December 31, 2019 consist of the following:

<i>As of December 31, 2019</i>	Level 1	Level 2	Total
Money Market Fund	\$ 227,200	\$ -	\$ 227,200
Exchange Traded Funds			
Large blend	58,183	-	58,183
Mid-cap blend	42,399	-	42,399
Small blend	90,223	-	90,223
Foreign large blend	156,837	-	156,837
Foreign small/mid blend	25,664	-	25,664
Emerging markets	176,387	-	176,387
Financial	1,623,995	-	1,623,995
International	50,863	-	50,863
Total Exchange Traded Funds	2,224,551	-	2,224,551
Stocks			
Basic material	44,183	-	44,183
Consumer goods	185,365	-	185,365
Financial	120,282	-	120,282
Healthcare	131,303	-	131,303
Industrial goods	82,683	-	82,683
Services	137,426	-	137,426
Technology	119,810	-	119,810
Utilities	10,015	-	10,015
Total Stocks	831,067	-	831,067
Bonds			
US Treasury bonds	-	24,750	24,750
Municipal bonds	-	25,660	25,660
Corporate	-	439,112	439,112
Total Bonds	-	489,522	489,522
Total Marketable Securities	\$ 3,282,818	\$ 489,522	\$ 3,772,340

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 5: Marketable Securities (Continued)

Marketable securities, at fair value, as of December 31, 2018 consist of the following:

<i>As of December 31, 2018</i>	Level 1	Level 2	Total
Money Market Fund	\$ 187,150	\$ -	\$ 187,150
Exchange Traded Funds			
Mid-cap blend	34,208	-	34,208
Small blend	54,486	-	54,486
Foreign large blend	132,220	-	132,220
Foreign small/mid blend	21,871	-	21,871
Emerging markets	135,132	-	135,132
Financial	990,668	-	990,668
International	83,605	-	83,605
Total Exchange Traded Funds	1,452,190	-	1,452,190
Stocks			
Basic material	63,888	-	63,888
Consumer goods	147,667	-	147,667
Financial	87,296	-	87,296
Healthcare	97,184	-	97,184
Industrial goods	65,509	-	65,509
Services	93,704	-	93,704
Technology	105,533	-	105,533
Utilities	10,010	-	10,010
Total Stocks	670,791	-	670,791
Bonds			
US Treasury bonds	-	23,402	23,402
Municipal bonds	-	25,469	25,469
Corporate	-	428,587	428,587
Total Bonds	-	477,458	477,458
Total Marketable Securities	\$ 2,310,131	\$ 477,458	\$ 2,787,589

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 (losses) in the statements of activities:

<i>Years Ended December 31,</i>	2019	2018
Net realized and unrealized gains (losses)	\$ 511,660	\$ (251,286)
Interest and dividends	88,390	64,852
Total	\$ 600,050	\$ (186,434)

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

Note 6: Contributions Receivable

Contributions receivable as of December 31, 2019 and 2018, are due as follows:

<i>As of December 31,</i>	2019	2018 (RESTATED)
Due within 1 year	\$ 606,111	\$ 453,360
Due within 2 to 5 years	376,841	215,180
Total	\$ 982,952	\$ 668,540

Note 7: 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% (5.75% effective rate at December 31, 2019). There was \$500,000 unused and available on the line of credit as of December 31, 2019. The line of credit expires on August 31, 2020.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 8: Commitments

The Organization conducts its operations from facilities that are leased under operating leases expiring in various years through 2030. The Organization also utilizes office equipment that is leased under operating leases expiring in various years through 2024. At December 31, 2019, the Organization was obligated under noncancelable operating lease arrangements for facilities and office equipment as follows:

<i>Year Ending December 31,</i>		
2020	\$	141,400
2021		156,146
2022		155,371
2023		155,162
2024		160,487
Thereafter		968,222
<hr/>		
Total	\$	1,736,788

Rent expense for the years ended December 31, 2019 and 2018 was \$226,773 and \$240,511, respectively.

Note 9: 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 \$130,932 and \$113,915 for the years ended December 31, 2019 and 2018, respectively.

Note 10: Net Assets Without and With Donor Restriction

The Board of Directors had designated a portion of the net assets without donor restrictions as an endowment fund for support of capital projects necessary to assist participating athletes, the Athlete Leadership Fund to support the Organization's vision of being the "Global Leader" in Athlete Leadership, 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 \$342,160 and \$245,064 at December 31, 2019 and 2018, respectively.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 10: Net Assets Without and With Donor Restriction (Continued)

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

<i>As of December 31,</i>	2019	2018 (RESTATED)
Transportation and related costs to non-local competition events	\$ 437,106	\$ 382,665
Unified Champion Schools	89,079	105,899
Young Athletes	4,924	7,858
Other	25,002	-
Total	\$ 556,111	\$ 496,422

Note 11: Concentrations

At December 31, 2019, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2019, the Organization's uninsured cash balances totaled approximately \$2,700,000. These financial institutions have strong credit ratings, and management believes that credit risk related to these deposits is minimal.

Note 12: Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 24, 2020, the date the financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis. As of the date of issuance of the financial statements, Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing. On April 18, 2020, the Organization secured a term note under the U.S. Small Business Administration Paycheck Protection Program in the amount of \$599,757. The loan is eligible for forgiveness if certain conditions are met as required by the loan agreement. If determined that conditions were not met, the unforgiven portion will have a fixed interest rate of 1% for a 2 year term, and no principal and interest payments are due for the first 6 months of the loan.

In addition, in April 2020 the Organization entered in to a line of credit agreement with a financial institution providing for borrowings up to \$2,000,000. Advances bear interest at a rate based on the JP Morgan Chase Guaranty Prime rate and are secured by marketable securities held in custody by the financial institution.

Supplementary Information

Special Olympics Pennsylvania, Inc.

Schedules of Activities - Home Office

<i>Years Ended December 31, 2019 and 2018</i>	2019			2018 (RESTATED)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Direct marketing contributions	\$ 1,544,378	\$ -	\$ 1,544,378	\$ 1,566,260	\$ -	\$ 1,566,260
Contributions	3,734,877	82,840	3,817,717	3,584,216	74,657	3,658,873
Special events	1,702,241	-	1,702,241	1,686,806	-	1,686,806
Investment income (losses)	372,182	46,866	419,048	(144,250)	2,703	(141,547)
Other income	196,922	-	196,922	328,105	-	328,105
Net assets released from restrictions	100,421	(100,421)	-	79,904	(79,904)	-
Total support and revenue	7,651,021	29,285	7,680,306	7,101,041	(2,544)	7,098,497
Expenses:						
Program Services:						
Games and competition	2,465,032	-	2,465,032	2,578,020	-	2,578,020
Sports training	253,826	-	253,826	217,263	-	217,263
Field services and outreach	1,814,696	-	1,814,696	1,680,694	-	1,680,694
Communications	775,016	-	775,016	731,982	-	731,982
Total program services	5,308,570	-	5,308,570	5,207,959	-	5,207,959
Management and general	355,446	-	355,446	431,194	-	431,194
Fundraising	1,920,584	-	1,920,584	1,574,713	-	1,574,713
Total expenses	7,584,600	-	7,584,600	7,213,866	-	7,213,866
Change in net assets	66,421	29,285	95,706	(112,825)	(2,544)	(115,369)
Net assets - Beginning of year (RESTATED)	2,867,632	318,013	3,185,645	2,980,457	320,557	3,301,014
Net assets - End of year	\$ 2,934,053	\$ 347,298	\$ 3,281,351	\$ 2,867,632	\$ 318,013	\$ 3,185,645

See Independent Accountant's Audit Report on Supplementary Information.