

Special Olympics Pennsylvania, Inc.

Financial Statements and Supplemental Information

Years Ended December 31, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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.

Supplemental 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

August 01, 2024

Special Olympics Pennsylvania, Inc.

Statements of Financial Position

<i>As of December 31,</i>	2023	2022
ASSETS		
Cash and cash equivalents	\$ 2,145,795	\$ 4,878,923
Marketable securities	7,112,895	6,541,234
Contributions and grants receivable	1,346,085	509,096
Inventory	51,573	117,795
Prepaid expenses	74,027	39,554
Office and sports equipment - net of accumulated depreciation and amortization of \$869,163 and \$812,624, respectively	166,384	194,038
Right-of-use assets, net of accumulated amortization of \$387,889 and \$163,758, respectively	1,484,510	1,659,182
Beneficial interest in assets held by a community foundation	430,997	182,519
TOTAL ASSETS	\$ 12,812,266	\$ 14,122,341
LIABILITIES		
Accounts payable and accrued expenses	\$ 410,174	\$ 408,906
Accrued payroll	91,992	83,186
Refundable advances	318,099	652,467
Operating lease liabilities	1,520,012	1,677,359
Total Liabilities	2,340,277	2,821,918
NET ASSETS		
Without donor restrictions	9,407,527	10,514,178
With donor restrictions	1,064,462	786,245
Total Net Assets	10,471,989	11,300,423
TOTAL LIABILITIES AND NET ASSETS	\$ 12,812,266	\$ 14,122,341

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statements of Activities

Years Ended December 31,	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Direct marketing contributions	\$ 1,397,835	\$ -	\$ 1,397,835	\$ 1,397,460	\$ -	\$ 1,397,460
Contributions and grants	6,464,325	259,098	6,723,423	6,305,566	220,789	6,526,355
Contributed nonfinancial assets	406,406	-	406,406	691,020	-	691,020
Special events	2,975,220	-	2,975,220	2,843,127	-	2,843,127
Investment income (loss)	598,844	35,777	634,621	(762,456)	(54,332)	(816,788)
Change in beneficial interest held by community foundation	-	20,395	20,395	-	(8,422)	(8,422)
Other income	4,232	-	4,232	46,640	-	46,640
Net assets released from restrictions	37,053	(37,053)	-	72,109	(72,109)	-
Total support and revenue	11,883,915	278,217	12,162,132	10,593,466	85,926	10,679,392
Expenses:						
Program Services:						
Games and competition	4,462,766	-	4,462,766	3,717,703	-	3,717,703
Sports training	721,396	-	721,396	659,610	-	659,610
Field services and outreach	2,154,453	-	2,154,453	1,945,121	-	1,945,121
Communications	1,014,369	-	1,014,369	816,371	-	816,371
Total program services	8,352,984	-	8,352,984	7,138,805	-	7,138,805
Management and general	1,623,596	-	1,623,596	1,906,042	-	1,906,042
Fundraising	3,013,986	-	3,013,986	2,530,502	-	2,530,502
Total expenses	12,990,566	-	12,990,566	11,575,349	-	11,575,349
Change in net assets	(1,106,651)	278,217	(828,434)	(981,883)	85,926	(895,957)
Net assets - Beginning of year	10,514,178	786,245	11,300,423	11,496,061	700,319	12,196,380
Net assets - End of year	\$ 9,407,527	\$ 1,064,462	\$ 10,471,989	\$ 10,514,178	\$ 786,245	\$ 11,300,423

See accompanying notes to financial statements.

Special Olympics Pennsylvania, Inc.

Statement of Functional Expenses

<i>Year Ended December 31, 2023</i>	PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS				
Salary and benefits	\$ 1,211,741	\$ 139,291	\$ 1,555,489	\$ 369,616	\$ 820,286	\$ 1,186,805	\$ 5,283,228	
Accreditation fee	34,156	2,372	42,169	10,176	15,532	29,886	134,291	
Advertising and promotion	500	-	3,200	-	600	307,239	311,539	
Contracted services	233,911	5,832	223,147	61,031	53,238	350,622	927,781	
Depreciation and amortization	16,615	784	13,933	3,362	11,940	9,875	56,509	
Educational materials	-	100	-	376,811	-	-	376,911	
Facilities and meals	469,379	357,523	52,711	1,140	60,687	116,076	1,057,516	
Hotels	476,980	2,267	25,205	-	2,402	9,342	516,196	
Insurance	41,897	3,800	48,882	11,796	19,329	36,842	162,546	
Office administration	97,808	45,896	25,644	67,794	518,082	125,384	880,608	
Printed materials	175,156	1,811	46,704	101,289	11,634	69,525	406,119	
Professional development	-	1,038	50	-	-	-	1,088	
Professional fees	319,343	1,325	21,934	95	19,078	62,986	424,761	
Registration fees	16,437	22	3,122	152	2,646	4,766	27,145	
Service charges	14,444	528	20,163	2,789	39,679	251,426	329,029	
Sports equipment and uniforms	752,370	119,189	39,943	2,807	28,203	145,871	1,088,383	
Telemarketing	-	-	251	-	-	201,972	202,223	
Travel	602,029	39,618	31,906	5,511	20,260	105,369	804,693	
Total	\$ 4,462,766	\$ 721,396	\$ 2,154,453	\$ 1,014,369	\$ 1,623,596	\$ 3,013,986	\$ 12,990,566	

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	\$ 951,719	\$ 89,354	\$ 1,138,277	\$ 288,349	\$ 1,421,390	\$ 587,287	\$ 4,476,376	
Accreditation fee	45,926	2,712	49,483	14,581	12,644	19,054	144,400	
Advertising and promotion	2,367	4,000	-	-	600	579,332	586,299	
Contracted services	153,678	24,968	261,927	81,104	30,724	291,963	844,364	
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	463,103	288,022	54,242	1,486	26,131	220,933	1,053,917	
Hotels	382,053	9,888	73,171	313	6,008	18,168	489,601	
Insurance	45,445	4,010	48,534	14,301	12,401	20,688	145,379	
Office administration	203,911	45,829	107,698	33,976	299,894	55,854	747,162	
Printed materials	61,601	10,335	64,072	7,359	2,346	44,463	190,176	
Professional development	-	143	36	-	-	-	179	
Professional fees	238,504	4,692	21,259	1,800	1,035	69,048	336,338	
Registration fees	47,395	828	6,901	-	16,304	10,478	81,906	
Service charges	16,254	523	31,548	3,275	36,107	183,722	271,429	
Sports equipment and uniforms	636,706	129,070	55,002	2,941	24,858	142,785	991,362	
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.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (828,434)	\$ (895,957)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	56,509	102,761
Net realized and unrealized loss (gain) on marketable securities	(435,155)	956,827
Dividends reinvested	(136,506)	(142,390)
Change in beneficial interest held by community foundation	(20,395)	8,422
Noncash lease expense	224,131	163,758
(Increase) decrease in assets:		
Contributions and grants receivable	(836,989)	420,281
Inventory	66,222	(11,751)
Prepaid expenses	(34,473)	20,988
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,268	75,613
Accrued payroll	8,806	8,266
Refundable advances	(334,368)	17,550
Operating lease obligations	(206,806)	(145,581)
Net Cash Flows from Operating Activities	(2,476,190)	578,787
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of interests in community foundation	(228,083)	(142,140)
Redemption of certificates of deposit	-	34,067
Purchase of office and sports equipment	(28,855)	(229,969)
Net Cash Flows from Investing Activities	(256,938)	(338,042)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,733,128)	240,745
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,878,923	4,638,178
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,145,795	\$ 4,878,923

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 more than 20 Olympic-type sports to approximately 15,000 children and adults with intellectual disabilities or closely related developmental disabilities. More than 750 local, sectional (regional) and state level competitions are hosted each year. Programs and services are delivered through the efforts of more than 14,000 volunteers 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 mutual funds, 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.

Fair value for the assets held at the community foundation is measured using the fair value of the underlying assets held by the foundation as of December 31, 2023 and 2022 and the Organization's proportionate share of the investment return for the period. The Organization considers the measurement of its beneficial interest to be a Level 3 measurement within the fair value measurement hierarchy because the Organization has an interest in the assets held by the foundation and has no direct interest in the underlying assets themselves.

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, 2023 and 2022.

Inventory

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

Office and Sporting 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.

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. Contributions and grants that are restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Bequests are recognized at the time an unassailable right to the gift has been established and the proceeds are measurable.

Marketable Securities

The Organization carries investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the date the dividends are payable.

Investment income earned on certain net assets with donor restrictions is restricted as to use. All other investment income is without donor restrictions as to use.

Beneficial Interest in Assets Held by Community Foundation

The Organization placed donor-restricted endowment funds with the Philadelphia Foundation for the benefit of the Organization. The Organization granted variance power to the Philadelphia Foundation, which allows the Philadelphia Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Philadelphia Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The funds are held and invested by the Philadelphia Foundation for the Organization's benefit and are reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. 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. Conditional contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Contributed Nonfinancial Assets

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	2023	2022
Media services	\$ 311,539	\$ 586,299
Facilities	90,840	89,880
Material and supplies	4,027	14,841
Total	\$ 406,406	\$ 691,020

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 Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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 \$23,000 and \$58,000 for the years ended December 31, 2023 and 2022, 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. Ticket sales revenue 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, 2023 and 2022, the direct costs of special events were \$1,227,050 and \$1,040,810, respectively, and are included in various categories in the statements of functional expenses.

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 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.

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.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

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.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred or, if the advertising is donated, when the advertising is utilized. Advertising and promotion expense was \$311,539 and \$586,299 for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022, the cost of conducting those campaigns included \$578,783 and \$543,220, 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>	2023	2022
Program - Communications	\$ 376,811	\$ 353,093
Fundraising	201,972	190,127
Total	\$ 578,783	\$ 543,220

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)

Reclassification

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications relate to the following: (1) reclassified the Beneficial interest in assets held by a community foundation from Marketable securities to a separate financial statement line item within the statements of financial position, and (2) reclassified certain expense line items within the statements of functional expenses. The changes had no effect on change in net assets for the year ended December 31, 2022.

Note 2: 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>	2023	2022
Cash and cash equivalents	\$ 2,145,795	\$ 4,878,923
Marketable securities	7,112,895	6,541,234
Contributions and grants receivable	1,346,085	509,096
Beneficial interest in assets held by a community foundation	430,997	182,519
Financial assets	10,604,775	12,111,772
Less: Donor restricted funds	(1,064,462)	(786,245)
Total	\$ 9,540,313	\$ 11,325,527

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 7.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 3: Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Marketable securities:				
Money Market Fund	\$ 493,761	\$ -	\$ -	\$ 493,761
Mutual and Exchange Traded Funds:				
Equity	1,818,558	-	-	1,818,558
International Equity	225,509	-	-	225,509
Fixed Income	177,387	-	-	177,387
Total Mutual and Exchange Traded Funds	2,715,215	-	-	2,221,454
US Corporate Stocks	3,221,559	-	-	3,221,559
Bonds:				
US Treasury bonds	-	202,027	-	202,027
Municipal bonds	-	82,830	-	82,830
Corporate	-	826,784	-	826,784
Mortgage backed bond	-	64,480	-	64,480
Total Bonds	-	1,176,121	-	1,176,121
Beneficial interest in assets held by community foundation	-	-	430,997	430,997
Totals	\$ 3,208,976	\$ 1,176,121	\$ 430,997	\$ 7,543,892

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Marketable securities:				
Money Market Fund	\$ 621,601	\$ -	\$ -	\$ 621,601
Mutual and Exchange Traded Funds:				
Equity	1,446,020	-	-	1,446,020
International Equity	194,961	-	-	194,961
Financial	368,247	-	-	368,247
Total Mutual and Exchange Traded Funds	2,009,228	-	-	2,009,228
US Corporate 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
Beneficial interest in assets held by community foundation	-	-	182,519	182,519
Totals	\$ 5,744,361	\$ 796,873	\$ 182,519	\$ 6,723,753

Note 4: Investment Income (Loss)

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

<i>Years Ended December 31, 2023 and 2022</i>	2023	2022
Net realized and unrealized gains (losses)	\$ 435,155	\$ (956,827)
Interest and dividends	199,466	140,039
Total investment income (loss)	\$ 634,621	\$ (816,788)

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 5: Contributions and Grants Receivable

Contributions and grants receivable as of December 31, 2023 and 2022, are due as follows:

<i>As of December 31,</i>	2023	2022
Due within 1 year	\$ 1,276,085	\$ 434,096
Due within 2 to 5 years	70,000	75,000
Total	\$ 1,346,085	\$ 509,096

Note 6: Refundable Advances

The Organization operates its programs with funding from various grants and contracts. At December 31, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
Commonwealth of Pennsylvania	\$ 244,718	\$ 652,467
Centers for Disease Control and Prevention	73,381	-
Total	\$ 318,099	\$ 652,467

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% (9.50% effective rate at December 31, 2023). There was \$500,000 unused and available on the line of credit as of December 31, 2023 and 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 (7.50% effective rate at December 31, 2023). There was \$4,000,000 unused and available on the line of credit as of December 31, 2023 and 2022. The line of credit will continue until it is terminated by either party.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 8: 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.

Lease expense for operating leases was \$257,659 and \$189,659 for the year ended December 31, 2023 and 2022, respectively, which includes operating lease costs of \$224,131 for 2023 and \$163,758 for 2022 and variable lease cost of \$15,665 for 2023 and \$51,640 for 2022. These costs are included in office administration on the statement of functional expenses.

Other information related to leases is as follows for the years ended December 31:

	2023	2022
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 49,459	\$ 660,006
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	238,805	171,482
Weighted-average remaining lease term - Operating leases	7.2 years	8.2 years
Weighted-average discount rate - Operating leases	2.05 %	2.02 %

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 8: Leases (Continued)

Maturities of lease liabilities are as follows as of December 31, 2023:

<i>Years ending December 31,</i>		
2024	\$	245,949
2025		239,553
2026		228,513
2027		201,093
2028		176,472
Thereafter		545,141
Total lease payments		
		1,636,721
Less imputed interest		
		(116,709)
Total		
	\$	1,520,012

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 \$221,772 and \$169,994 for the years ended December 31, 2023 and 2022, respectively.

Note 10: 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 \$1,233,310 and \$797,738 at December 31, 2023 and 2022, respectively.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

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

Net assets with donor restrictions are restricted for the following:

<i>As of December 31,</i>	2023	2022
Subject to expenditure for specified purpose:		
Transportation and related costs to non-local competition events	\$ 405,298	\$ 379,657
Healthy athletes	163,868	149,856
The Cities Inclusion Fellowship and Philadelphia Summit	25,000	-
	<u>594,166</u>	<u>529,513</u>
Permanent funds subject to endowment spending policy and appropriation:		
Beneficial interest in assets held by community foundation	430,997	182,519
Permanent funds included in cash and cash equivalents	39,299	74,213
	<u>470,296</u>	<u>256,732</u>
Total	\$ 1,064,462	\$ 786,245

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>	2023	2022
Transportation and related costs to non-local competition events	\$ 10,135	\$ 9,321
Healthy athletes	26,918	62,788
Total	\$ 37,053	\$ 72,109

Note 11: Endowment Fund

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and require additional disclosures about an organization's endowment funds. As of December 31, 2023, Pennsylvania has not adopted UPMIFA. The following disclosures are made as required by accounting standards.

The Organization interprets Pennsylvania law governing donor-restricted endowment funds ("PA Law") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument and prescribed by PA Law at the time the accumulation is added to the fund.

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 11: Endowment Fund (Continued)

The Organization established an organizational endowment fund with the Philadelphia Foundation (the “Foundation”) and transfers its donor-restricted endowment contributions to the Foundation to hold as an agency fund (“Fund”) for the benefit of the Organization. The Fund is reported in the statement of financial position as Beneficial interest in assets held by a community foundation as of December 31, 2023 and 2022. The Fund is subject to the Foundation’s investment and spending policies.

Investment return objectives and spending policy

The Foundation's investment philosophy for endowed funds is to diversify investments to provide a balance that will enhance the total return while avoiding undue risk concentration in any single asset class or investment category. The Foundation emphasizes three main priorities for its endowment portfolio: 1) protect principal; 2) returns should exceed the spending policy rate of 5% plus the Consumer Price Index (CPI); and 3) ensure capital growth. The spending policy set forth by the Foundation is designed to allow the funds to be invested on a “total return” basis to maintain and, if possible, increase the real value (as adjusted for inflation) of the funds, while at the same time providing a relatively steady and predictable level of funding for the Organization. For each of the years ended December 31, 2023 and 2022, the spending rate was 5 percent of the average fair market value of the Fund calculated over the 20 trailing quarters.

Funds with Deficiencies

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PA Law requires the Organization to retain as a fund of perpetual duration (underwater endowments). We have interpreted the law to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies of this nature as of December 31, 2023 and 2022.

Changes in endowment net assets as of and for the years ended December 31, 2023 and 2022 are as follows:

Years Ended December 31, 2023 and 2022

Endowment net assets as of December 31, 2021	\$ 84,240
Contributions	180,914
Investment loss, net	(8,422)
Endowment net assets as of December 31, 2022	256,732
Contributions	193,169
Investment income, net	24,925
Amounts appropriated for expenditure	(4,530)
Endowment net assets as of December 31, 2023	\$ 470,296

Special Olympics Pennsylvania, Inc.

Notes to Financial Statements

Note 12: Related Parties

The Organization is accredited by SOI to conduct Special Olympics activities within the Commonwealth of Pennsylvania. For the years ended December 31, 2023 and 2022, the Organization paid \$134,291 and \$144,400, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2023 and 2022, \$171,750 and \$160,330, 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 \$1,397,835 and \$1,397,460 direct marketing contributions from unrelated parties for the years ended December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, expenses incurred relating to the agreement were \$577,063 and \$543,220, respectively, which are recorded in educational materials and telemarketing expenses on the statements of functional expenses. For the years ended December 31, 2023 and 2022, SOI provided grants to the Organization of \$560,381 and \$703,141, respectively, which are recorded in contributions and grants without donor restrictions.

Note 13: Concentrations, Risks and Uncertainties

At December 31, 2023, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2023, the Organization's uninsured cash balances totaled approximately \$1,400,000. Management believes that credit risk related to these deposits is minimal.

The Organization's 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.

Note 14: 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 15: Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 01, 2024, the date the financial statements were available to be issued.

Supplemental Information

Special Olympics Pennsylvania, Inc.

Schedules of Activities - Home Office

<i>Years Ended December 31,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Direct marketing contributions	\$ 1,385,185	\$ -	\$ 1,385,185	\$ 1,397,460	\$ -	\$ 1,397,460
Contributions and grants	4,463,866	259,098	4,722,964	5,317,839	220,789	5,538,628
Contributed nonfinancial assets	306,499	-	306,499	495,056	-	495,056
Special events	761,285	-	761,285	1,969,329	-	1,969,329
Investment income (loss)	248,525	19,486	268,011	(303,009)	(29,591)	(332,600)
Change in beneficial interest held by community foundation	-	20,395	20,395	-	(8,422)	(8,422)
Other income	2,055	-	2,055	46,510	-	46,510
Net assets released from restrictions	26,918	(26,918)	-	62,788	(62,788)	-
Total support and revenue	7,194,333	272,061	7,466,394	8,985,973	119,988	9,105,961
Expenses:						
Program Services:						
Games and competition	2,667,827	-	2,667,827	3,091,765	-	3,091,765
Sports training	153,693	-	153,693	271,030	-	271,030
Field services and outreach	1,497,472	-	1,497,472	2,062,137	-	2,062,137
Communications	988,073	-	988,073	812,802	-	812,802
Total program services	5,307,065	-	5,307,065	6,237,734	-	6,237,734
Management and general	1,027,708	-	1,027,708	540,687	-	540,687
Fundraising	2,145,773	-	2,145,773	2,168,161	-	2,168,161
Total expenses	8,480,546	-	8,480,546	8,946,582	-	8,946,582
Change in net assets	(1,286,213)	272,061	(1,014,152)	39,391	119,988	159,379
Net assets - Beginning of year	4,200,241	629,549	4,829,790	4,160,850	509,561	4,670,411
Net assets - End of year	\$ 2,914,028	\$ 901,610	\$ 3,815,638	\$ 4,200,241	\$ 629,549	\$ 4,829,790

See Independent Accountant's Audit Report on Supplemental Information.