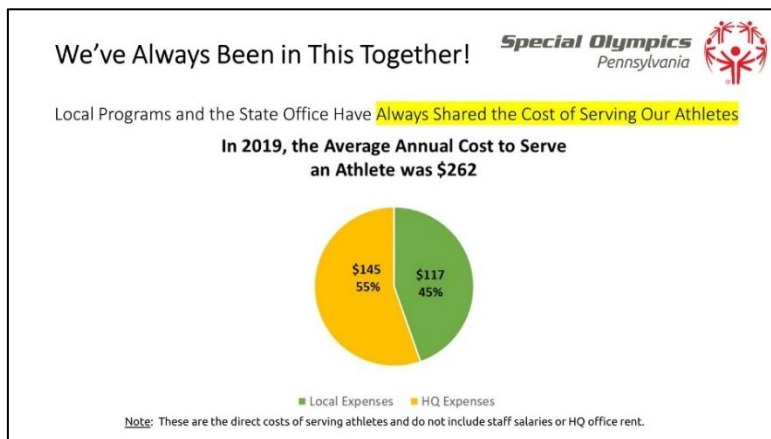




Regionalization doesn't change our mission or who we serve, but it does make important changes in how we operate. This means we'll need to adjust our messaging to communicate effectively with donors about how we're organized to support athletes in their communities. In the past, local Program volunteers engaged with donors about their specific local Program within Special Olympics PA because that was the grassroots element of the organization serving athletes in their community (whether that was a single county local Program, 2-county programs such as Armstrong/Indiana or Columbia/Montour, or multi-county programs such as Area M or Area P). Even though each of those Programs were structured slightly differently, the message was the same...it was about supporting athletes "in their backyard" at the most grassroots level of the organization. Now, with the transition to a regional model, our messaging to donors needs to shift to reflect how we continue to support those same athletes.

One crucial element missing from those previous conversations was the total cost of serving an athlete in Special Olympics PA. That total cost included costs covered by local Programs **and** costs



covered by the state office (see diagram for historical example). The move to a regional model necessitates changes in how we plan and budget, consolidating local Program budgets into overall regional budgets and providing a more comprehensive view of the resources needed to serve athletes most effectively.

1. How will we manage our activities and decide how to spend our money in the future?

A collaborative regional budgeting process will be at the heart of how we manage finances – and it will be a process that engages local Team volunteers as well as regional staff. Once approved, the regional budget will drive what we do, and don't do, programmatically (i.e., this budget determines the programs and services we will and won't offer for our athletes each year).

At the beginning of the budgeting process, local Team volunteers provide desired program activities for the following year (costs) to their Regional Executive Director (RED). The RED compiles input from all Teams across the region plus their regional office expenses. At the same time, in a separate process, the RED and/or Regional Development Director (RDD) work with local Teams to create an annual fundraising plan that reflects all special events, grants, and other income

streams for the entire region. Both components, revenue and expense are then combined to create the overall regional budget. The Regional Executive Director (RED) will lead the budgeting process including making any necessary adjustments. The RED is the final decision maker on recommending a regional budget to headquarters. The regional budgets for all regions will be combined with the headquarters budget to create the consolidated, statewide budget presented to the ultimate decision makers, the SOPA Board of Directors, for final review and approval.

The SOPA Board will thus have full visibility into the budget for the entire organization. The Board, a group of dedicated volunteers, has the fiduciary responsibility for the entire organization. Once the budget is approved by the board, each RED will be held accountable for successfully executing their respective regional budget (raising the revenue and managing the expenses).

This collaborative approach allows all stakeholders to have meaningful input and is in accordance with good governance and fiduciary practices. An additional advantage of this process over our previous model is that the budget for an individual Team doesn't necessarily have to balance as long as the overall regional budget works, thus providing the RED more flexibility and an ability to ensure more consistent quality across the organization. This allows us to "level the playing field" and ensure we're providing quality programs and experiences for athletes all over the state.

During the year as we execute the budget, spending over a certain set threshold will be governed by a purchase order/spending request process. The RED will be the approving authority for all such requests in their region. The spending request form is a one-page online form that describes the nature and timing of the proposed expenditure, whether it was budgeted or not, and seeks approval from the respective RED. This new process is being pilot tested in a couple of regions during the latter part of 2024 and will be implemented statewide in early 2025.

2. What about donor intent? What do we do when donors say they only want to support athletes in "their" community?

We will always honor donor intent. When interacting with current or prospective donors, communication and education are the key. Most donors give because they have a relationship with someone affiliated with Special Olympics PA – an athlete, a volunteer, a family member, or a staff person. They know us and they want to support our mission because of that relationship. As the saying goes, all fundraising is local. The key is helping donors understand what that means and how it works. Regionalization is changing how we are structured to better support the athletes they know and love, and we need to help our donors understand these changes.

3. How will we communicate to donors about these changes?

We've worked with our auditors and our Board and have created the following statement:

Special Olympics Pennsylvania will accept gifts from donors and solicit gifts from individuals, corporations, foundations and via special events to support operations in its 9 geographic regions around the state. Such funds are unrestricted but will be used to meet regional operating needs as defined by the Board-approved budget in each region. Should funds raised exceed regional operating

needs in the current year, those excess funds may be used at the sole discretion of Special Olympics PA for any purposes that will help the organization further and fulfill its mission.

We hope you'll use this information as you interact with current and prospective donors who are curious about how their support will be used. We intend to add this language to our website and as appropriate on solicitation material such as flyers, appeal cards, electronic announcements, etc.

4. Isn't this a big change?

No. Our approach with donors in the future won't be radically different than what we've always done. It's just that now when we're talking to donors about supporting athletes "in their backyard," instead of talking about a legacy Local Program, we'll be talking about their region and how supporting the region helps athletes in their local community. But there is one really important difference, and it's about more than just education and communication – it's about teamwork. By working together in our regions as one SOPA team, we will raise more money, serve more athletes, and deliver better quality programs than we ever did in the past. That's not hype for regionalization – we're seeing that playing out in our regions already as well as in other states that have previously adopted regional models.

5. What happens to funds each local Program came into reorg with (cash and investments)?

All of the funds accumulated over the years by local Programs were held in reserve as "rainy day" funds. Reserves, by their very definition, are there to support future needs if/when we have them.

That isn't going to change – we intend to keep those funds in reserve. Reserves are not part of the annual budget/spending process, and we will not utilize them on a regular basis to meet operating needs. As an organization, we currently have adequate (but not excessive) funds in reserve. Before approving the plan to regionalize, our Board carefully evaluated both the benefits of regionalization as well as the financial investment that would be required to make this change. In approving our multi-year plan, they recognized the return on this investment and granted approval to spend funds from our existing reserves specifically for regionalization (with funds coming from reserves that had been generated by the state office, not local Programs).

Should the need or desire to utilize reserve funds arise again in the future, the Board of Directors of Special Olympics PA has the sole responsibility and authority to determine if/how we will spend reserve funds (i.e., these decisions will not be made by SOPA management or by local Teams).

6. How will we keep track of these funds that were historically raised by local Programs?

We know how hard so many people have worked over the years to generate these reserve funds, and we want to honor and recognize that work. Thus, our board has agreed to designate those funds for use in the geographic area where they were raised. We have recorded the combined cash and investment balances for each legacy local Program on the date it became part of a region. This balance will be reduced each year based on actual expenses incurred against the regional budget for a particular area until the balance is zero. This will allow us to show how all the dollars raised over the years were used for the benefit of athletes in specific local areas. This is an administrative

tracking process designed to provide transparency and to respect and honor the work of the volunteers who helped raise these funds.

As part of this process, once per year (in the Fall once the prior year’s audited financial reports have been reviewed and approved by the Board), we will initiate transfers within our investment sub-accounts at Haverford Trust, moving funds from the legacy sub-accounts into the main account based on actual expenses incurred. It is important to note that this transfer is administrative in nature – we will not actually be reducing our investments or spending these funds. They will remain part of SOPA’s overall reserve balance. For an illustration of how this will work, please see the notional example below.

Reserve Fund Tracking Example: XYZ County

For this example, assume XYZ County became part of a region when ABC Region launched on January 1, 2023. On that date, XYZ’s combined total in both cash and investments held at Haverford Trust (HTC) was \$142,077.

For the year ended December 31, 2023, assume there were \$45,540 in audited expenses in Region ABC coded to the XYZ local team. As shown below, this amount is administratively deducted from the starting balance to yield an effective balance at the start of 2024 of \$96,537.

In addition, this amount (up to the remaining balance in the sub-account) would be transferred from the XYZ sub-account over to the main SOPA account at Haverford Trust.

This process will continue each year until the original balance (\$142,077) is reduced to zero. All funds in the main account remain part of SOPA’s overall reserves.

<u>XYZ County</u>	
01/01/2023 combined cash & HTC balance	\$142,077.00
<u>Total expenses 2023</u>	<u>(45,540.00)</u>
Balance at 01/01/2024	96,537.00

7. Since we raised those funds, why can’t we spend them on needs we identify in our area?

As described in Section 1 above, we will manage spending solely through our annual budgeting process. Allowing local Teams to make spending decisions outside of the budget process would be contrary to good governance practices. Furthermore, the funds raised in prior years by local Programs are reserve funds, and any reserve spending must be approved by the Board (as noted in Section 5, only the Board has the authority to spend reserve funds).

However, these changes do not mean that volunteers no longer have a voice or an ability to influence activity in their community! To the contrary, we still want and need local input into the process. But we will manage differently than in the past. Where local Programs previously spent

funds at the discretion of the local Manager or management team, in the future the regional budget development and execution processes provide the mechanisms for how we will plan and execute spending. Any activities that were previously conducted locally can still be done, but they will be managed against the regional budget at the discretion of the RED who is being held accountable for overall results in their region.

8. What if funds are needed in an emergency situation or if we have an important opportunity that requires an investment larger than what we'd typically cover in our annual budget?

We will always provide the flexibility to consider items that wouldn't fit inside the normal annual regional budget process such as new innovative ideas or emergent needs that couldn't be anticipated when the budget was developed. By definition, any such spending that is not included in the approved annual budget would require either a budget modification and/or the expenditure of reserve funds. Any request to spend reserve funds requires review and approval by the Board of Directors. This approach is in line with good governance and fiduciary practices while still providing a way for us to honor and respect the hard work of local volunteers and give them a voice in how we manage program expenses.

9. What about money raised in the future?

Our 9 regions are the lowest administrative units in the organization – we will plan, budget, and spend on a regional basis. We will continue to track where funds are raised and where they are spent using local Team codes, but we will manage at a regional level.

Funds raised by local Teams will be coded to that Team and applied against that local Team's portion of the region's annual budget. Should funds raised in a given year exceed annual expenses, either at the local Team level or the regional level, those surplus funds will become part of SOPA's overall reserve balance and may be used for any purposes that helps the organization further and fulfill its mission (i.e., surpluses will not be restricted or designated for specific regions or local Teams).