

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

SPECIAL OLYMPICS PENNSYLVANIA, INC.

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## INDEPENDENT AUDITORS' 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. which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Elko & Associates Ltd*

Media, Pennsylvania  
August 29, 2013

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENTS OF FINANCIAL POSITION

		DECEMBER 31,	
		2012	2011
<b>ASSETS</b>			
Cash and cash equivalents	\$	5,243,515	\$ 4,448,059
Certificates of deposit		2,240,363	2,275,995
Marketable securities		409,862	402,303
Contributions receivable		431,432	380,586
Inventory		100,428	100,706
Prepaid expenses		54,441	22,265
Office and sports equipment - net of accumulated depreciation and amortization of \$312,079 and \$427,032, respectively		136,330	119,224
<b>TOTAL ASSETS</b>		<b>\$ 8,616,371</b>	<b>\$ 7,749,138</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$	412,064	\$ 325,006
Accrued payroll		37,587	30,076
Capital lease obligation		10,461	36,066
<b>Total Liabilities</b>		<b>460,112</b>	<b>391,148</b>
<b>NET ASSETS</b>			
Unrestricted			
Undesignated		5,138,636	4,674,493
Board designated for endowment		2,462,604	1,908,348
Temporarily restricted		555,019	775,149
<b>Total Net Assets</b>		<b>8,156,259</b>	<b>7,357,990</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 8,616,371</b>	<b>\$ 7,749,138</b>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 2,430,060	\$ -	\$ 2,430,060
Contributions	2,351,592	124,725	2,476,317
Special events	2,866,069	-	2,866,069
Investment income	68,602	2,523	71,125
Other income	1,815	-	1,815
Net assets released from restrictions	<u>347,378</u>	<u>(347,378)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,065,516</u>	<u>(220,130)</u>	<u>7,845,386</u>
EXPENSES			
Games and competition	2,103,386	-	2,103,386
Sports training	547,800	-	547,800
Field services and outreach	1,083,452	-	1,083,452
Public education	914,655	-	914,655
Management and general	552,067	-	552,067
Fund raising	<u>1,845,757</u>	<u>-</u>	<u>1,845,757</u>
Total Expenses	<u>7,047,117</u>	<u>-</u>	<u>7,047,117</u>
CHANGE IN NET ASSETS	1,018,399	(220,130)	798,269
NET ASSETS - BEGINNING OF YEAR	<u>6,582,841</u>	<u>775,149</u>	<u>7,357,990</u>
NET ASSETS - END OF YEAR	<u>\$ 7,601,240</u>	<u>\$ 555,019</u>	<u>\$ 8,156,259</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Direct marketing contributions	\$ 2,331,784	\$ -	\$ 2,331,784
Contributions	2,463,218	126,607	2,589,825
Special events	2,404,912	-	2,404,912
Investment income (loss)	(71,586)	2,994	(68,592)
Other income	2,241	-	2,241
Net assets released from restrictions	<u>191,842</u>	<u>(191,842)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>7,322,411</u>	<u>(62,241)</u>	<u>7,260,170</u>
<b>EXPENSES</b>			
Games and competition	2,154,802	-	2,154,802
Sports training	473,742	-	473,742
Field services and outreach	870,462	-	870,462
Public education	781,844	-	781,844
Management and general	575,783	-	575,783
Fund raising	<u>1,746,592</u>	<u>-</u>	<u>1,746,592</u>
Total Expenses	<u>6,603,225</u>	<u>-</u>	<u>6,603,225</u>
CHANGE IN NET ASSETS	719,186	(62,241)	656,945
NET ASSETS - BEGINNING OF YEAR	<u>5,863,655</u>	<u>837,390</u>	<u>6,701,045</u>
NET ASSETS - END OF YEAR	<u>\$ 6,582,841</u>	<u>\$ 775,149</u>	<u>\$ 7,357,990</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	DECEMBER 31,	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 798,269	\$ 656,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	59,586	51,326
Net realized and unrealized (gains) losses on marketable securities	(45,447)	97,508
(Increase) decrease in assets		
Contributions receivable	(50,846)	28,050
Inventory	278	(13,490)
Prepaid expenses	(32,176)	45,485
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	87,058	(146,263)
Accrued payroll	<u>7,511</u>	<u>2,363</u>
Net Cash Provided by Operating Activities	<u>824,233</u>	<u>721,924</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sales (purchases) of marketable securities	37,888	11,915
Redemption of certificates of deposit	2,200,504	2,128,961
Purchase of certificates of deposit	(2,164,872)	(2,275,920)
Purchase of equipment	<u>(76,692)</u>	<u>(25,142)</u>
Net Cash Used in Investing Activities	<u>(3,172)</u>	<u>(160,186)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	<u>(25,605)</u>	<u>(29,106)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	795,456	532,632
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>4,448,059</u>	<u>3,915,427</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,243,515</u>	<u>\$ 4,448,059</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 1,605	\$ 3,930

The accompanying Notes are an integral part of these statements.



SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>PROGRAM SERVICES</u>						<u>FUND RAISING</u>	<u>TOTAL</u>
	<u>GAMES AND COMPETITION</u>	<u>SPORTS TRAINING</u>	<u>FIELD SERVICES AND OUTREACH</u>	<u>PUBLIC EDUCATION</u>	<u>MANAGEMENT AND GENERAL</u>			
Salary	\$ 313,954	\$ 55,302	\$ 529,348	\$ 128,637	\$ 240,164	\$ 348,506	\$ 1,615,911	
Benefits - health	37,306	6,488	63,386	14,671	28,077	40,253	190,181	
Benefits - pension	17,605	2,942	30,032	6,605	12,764	17,200	87,148	
Benefits - other	2,345	413	3,885	952	1,783	2,603	11,981	
Payroll taxes	27,192	4,772	46,026	11,026	20,829	30,125	139,970	
Annuity payment expense	-	-	-	-	-	2,082	2,082	
Awards - medals, ribbons, plaques	55,710	604	13,423	371	90	8,440	78,638	
Business insurance	65,219	998	13,555	8,247	9,366	4,569	101,954	
Computer on-line expense	1,125	200	2,413	1,443	4,270	1,543	10,994	
Contracted services	33,443	21,031	20,211	21,149	7,582	42,421	145,837	
Contributions	125	-	1,933	30	-	3,063	5,151	
Criminal records check	80	-	15,053	10	270	70	15,483	
Depreciation and amortization	7,905	895	13,260	2,717	27,781	7,028	59,586	
Electricity	1,239	561	2,414	716	4,126	1,667	10,723	
Equipment rent/lease	26,092	2,573	6,443	2,954	5,234	33,516	76,812	
Equipment repairs	279	340	-	-	1,662	-	2,281	
Facilities	105,654	237,277	25,807	-	3,143	130,395	502,276	
Grant expense	-	-	-	-	-	20,000	20,000	
Hotel/housing expense	345,312	1,059	36,459	783	4,956	11,833	400,402	
Interest expense	321	40	595	122	212	315	1,605	
In-kind expense - food	112,548	28,739	2,017	-	-	1,698	145,002	
In-kind expense - facilities	21,784	57,714	5,190	-	3,650	7,895	96,233	
In-kind expense - materials	2,837	5,965	3,195	-	1,182	24,173	37,352	
In-kind expense - services	23,432	3,073	19,879	2,200	-	79,098	127,682	
Maintenance contracts	785	72	1,516	598	4,476	4,519	11,966	

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The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	PUBLIC EDUCATION	MANAGEMENT AND GENERAL	FUND RAISING	
Meals	\$ 255,189	\$ 3,437	\$ 77,618	\$ 14,443	\$ 5,040	\$ 98,850	\$ 454,577
Membership dues	335	-	1,678	467	760	1,533	4,773
Office supplies and expense	3,554	944	3,636	649	19,088	6,235	34,106
Photographs/films/videos	185	1,113	-	2,883	-	12,229	16,410
Postage	8,032	1,971	9,126	8,811	13,483	12,002	53,425
Print/publications	1,881	263	5,909	3,965	9,272	31,051	52,341
Professional development	-	-	451	52	149	2,823	3,475
Professional fees	11,825	1,090	2,250	9,007	7,768	12,809	44,749
Promotional items	-	-	168	429	-	138,456	139,053
Rent	25,732	13,710	25,968	7,265	61,409	18,434	152,518
Registration expense	-	-	-	-	-	433	433
Service charge	79	-	12	-	1,263	58,935	60,289
Signs/banners	2,374	-	1,551	220	-	10,778	14,923
SOI accreditation fee	49,674	4,579	9,453	37,835	-	-	101,541
Sports equipment	24,250	40,776	1,332	-	22	133	66,513
Supplies	20,798	9,149	35,197	382	4,250	174,366	244,142
Telemarketing expense	-	36	-	622,183	-	358,196	980,415
Telephone	5,325	358	7,064	1,527	35,899	4,159	54,332
Tents	12,257	-	2,245	-	-	5,763	20,265
Transportation	192,727	19,080	4,355	-	-	1,121	217,283
Travel	94,165	6,679	29,352	1,306	12,047	20,262	163,811
Uniforms	192,712	13,557	9,967	-	-	53,406	269,642
Volunteer recognition grant	-	-	80	-	-	771	851
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,103,386</b>	<b>\$ 547,800</b>	<b>\$ 1,083,452</b>	<b>\$ 914,655</b>	<b>\$ 552,067</b>	<b>\$ 1,845,757</b>	<b>\$ 7,047,117</b>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	PUBLIC EDUCATION	MANAGEMENT AND GENERAL	FUND RAISING	
Salary	\$ 301,879	\$ 70,072	\$ 434,983	\$ 125,802	\$ 252,567	\$ 300,487	\$ 1,485,790
Benefits - health	42,081	11,068	59,015	16,915	34,545	39,376	203,000
Benefits - pension	16,992	3,767	23,912	6,600	14,100	15,823	81,194
Benefits - other	2,405	568	3,447	994	2,028	2,360	11,802
Payroll taxes	25,588	6,088	36,383	10,558	22,871	25,232	126,720
Annuity payment expense	-	-	24	-	-	2,082	2,106
Awards - medals, ribbons, plaques	49,649	560	8,312	977	492	4,558	64,548
Business insurance	63,046	214	13,510	-	10,656	6,440	93,866
Computer on-line expense	1,869	199	1,980	3,085	4,569	1,612	13,314
Contracted services	27,684	6,081	28,328	18,400	3,442	100,037	183,972
Contributions	270	-	1,960	250	265	180	2,925
Criminal records check	50	80	10,416	10	80	138	10,774
Depreciation and amortization	5,755	725	10,209	2,200	27,827	4,610	51,326
Educational materials	42	-	120	-	-	-	162
Electricity	1,426	333	2,739	843	5,129	1,749	12,219
Equipment rent/lease	25,640	2,371	5,989	2,667	7,331	14,422	58,420
Equipment repairs	156	5	131	-	652	197	1,141
Facilities	112,582	209,680	19,072	450	1,135	116,413	459,332
Grant expense	-	-	-	943	-	14,552	15,495
Hotel/housing expense	263,412	883	15,803	-	3,674	13,217	296,989
Interest expense	944	134	1,352	355	548	597	3,930
In-kind expense - food	134,853	485	1,425	-	-	3,850	140,613
In-kind expense - facilities	29,773	53,378	1,720	-	5,425	7,684	97,980
In-kind expense - materials	9,784	2,610	1,873	-	1,609	24,965	40,841
In-kind expense - services	57,929	-	3,963	3,649	140	257,336	323,017
Maintenance contracts	980	524	133	319	2,203	3,835	7,994

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The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>PROGRAM SERVICES</u>						<u>FUND RAISING</u>	<u>TOTAL</u>
	<u>GAMES AND COMPETITION</u>	<u>SPORTS TRAINING</u>	<u>FIELD SERVICES AND OUTREACH</u>	<u>PUBLIC EDUCATION</u>	<u>MANAGEMENT AND GENERAL</u>			
Meals	\$ 275,104	\$ 3,486	\$ 56,905	\$ 14,283	\$ 5,309	\$ 58,893	\$ 413,980	
Membership dues	35	-	1,148	1,310	1,205	834	4,532	
Office supplies and expense	3,712	842	2,493	553	17,537	4,579	29,716	
Photographs/films/videos	476	1,518	97	1,121	-	6,149	9,361	
Postage	4,617	2,348	6,824	8,643	11,745	10,011	44,188	
Print/publications	2,063	499	4,335	9,292	5,375	17,122	38,686	
Professional development	725	-	191	-	-	955	1,871	
Professional fees	14,236	2,675	1,938	4,637	10,235	8,904	42,625	
Promotional items	97	31	651	71	-	116,337	117,187	
Rent	22,310	11,964	24,862	7,078	64,500	15,523	146,237	
Registration expense	41,870	-	11,837	-	300	12,817	66,824	
Service charge	84	-	-	926	1,314	50,071	52,395	
Signs/banners	11,423	-	3,207	948	704	9,547	25,829	
SOI accreditation fee	57,293	10,767	7,798	18,663	-	-	94,521	
Sports equipment	36,521	31,655	8,803	-	370	-	77,349	
Supplies	34,597	10,907	14,643	620	1,838	134,279	196,884	
Telemarketing expense	-	-	-	515,676	-	278,197	793,873	
Telephone	3,671	314	6,041	986	36,502	3,764	51,278	
Tents	15,914	-	552	-	-	5,287	21,753	
Transportation	176,168	4,834	-	-	895	739	182,636	
Travel	96,539	5,019	27,611	2,020	14,707	29,021	174,917	
Uniforms	182,558	17,058	3,727	-	1,959	21,811	227,113	
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 2,154,802</u></b>	<b><u>\$ 473,742</u></b>	<b><u>\$ 870,462</u></b>	<b><u>\$ 781,844</u></b>	<b><u>\$ 575,783</u></b>	<b><u>\$ 1,746,592</u></b>	<b><u>\$ 6,603,225</u></b>	

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A - 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 22 Olympic-type sports to more than 20,000 children and adults with intellectual disabilities or closely related developmental disabilities at over 260 local, sectional, and state level competitions. Programs are provided through the efforts of over 40,000 volunteers in more than 56 county and city programs throughout the Commonwealth of Pennsylvania. SOPA is a fully accredited program of Special Olympics, Inc. (SOI). The Organization's support is primarily from volunteer organized fundraising, individual and corporate contributions, sponsorships, special events and direct marketing contributions.

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 56 local counties' Special Olympics programs operating in Pennsylvania.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and Unrestricted Support - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, 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 proceeds are measurable.

Support that is not restricted by the donor is reported as an increase in unrestricted net assets. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There are no permanently restricted net assets.

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 fair value of all investments is based on quoted market prices in active markets and are therefore considered as Level 1 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.

SPECIAL OLYMPICS PENNSYLVANIA, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE A - Summary of Significant Accounting Policies - continued

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.

Inventory - Inventory consists of various supplies and awards, and is stated at the lower of cost, determined by the first-in, first-out method, or market.

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 are amortized over the terms of the lease or the estimated useful lives of the equipment, whichever is shorter.

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, 2012 and 2011 were \$127,682 and \$323,017, 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 have accordingly 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, 2012 and 2011 were \$278,587 and \$279,434, respectively.

Expense Allocation - The Organization achieves some of its programmatic and fund raising goals in telemarketing campaigns that include requests for contributions. For the years ended December 31, 2012 and 2011, respectively, the cost of conducting those campaigns included \$980,415 and \$793,873 of joint costs that are not directly attributable to either the program or the fund raising component of the activities. Those joint costs were allocated as follows:

	<u>2012</u>	<u>2011</u>
Program	\$ 622,219	\$ 515,676
Fund raising	<u>358,196</u>	<u>278,197</u>
	<u>\$ 980,415</u>	<u>\$ 793,873</u>

Special Events - For the years ended December 31, 2012 and 2011, the direct costs of special events were \$765,309 and \$516,054, respectively.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain of the amounts previously reported in the financial statements for the prior year have been reclassified to conform with the current year classifications.

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NOTE B - 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.

The tax returns of the Organization for 2009, 2010 and 2011 are subject to examination by the federal and state taxing authorities, generally for three years after they were filed.

NOTE C - Related Party Transactions

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, 2012 and 2011, the Organization received \$177,327 and \$165,823, respectively, from SOI cooperative national fund raising projects and paid \$101,541 and \$94,521, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2012 and 2011, \$79,178 and \$57,064, respectively, due from SOI cooperative national fund raising projects are reported as contributions receivable in the statements of financial position.

NOTE D - Marketable Securities

Marketable securities, at fair value, consist of the following:

	2012	2011
Exchange Traded Funds		
Asset allocation funds - Large blend	\$ -	\$ 41,698
Asset allocation funds - Large growth	23,968	20,155
Asset allocation funds - Large value	-	13,404
Asset allocation funds - Mid-cap growth	-	13,526
Asset allocation funds - Mid-cap value	-	13,980
Asset allocation funds - Small growth	22,775	14,075
Sector funds - Consumer discretionary	59,951	13,242
Sector funds - Consumer goods	13,648	4,236
Sector funds - Emerging markets	24,582	12,503
Sector funds - Energy	-	53,489
Sector funds - Healthcare	56,864	6,773
Sector funds - Natural resources	38,852	70,670
Sector funds - Precious metals	8,224	-
Sector funds - Real estate	18,614	18,819
Sector funds - Technology	46,983	25,794
Stock funds - Financial	9,411	-
Stock funds - International	1,201	34,780
Total Exchange Traded Funds	325,073	357,144

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## NOTE D - Marketable Securities - continued

	<u>2012</u>	<u>2011</u>
Stocks		
Basic materials	5,685	4,276
Consumer goods	22,002	-
Financial	4,660	4,423
Healthcare	-	14,221
Industrial goods	14,231	4,500
Retail	-	4,041
Services	-	9,013
Technology	4,247	4,685
Utilities	4,275	-
Total Stocks	<u>55,100</u>	<u>45,159</u>
Stock warrants	<u>29,689</u>	<u>-</u>
Total Marketable Securities	<u>\$ 409,862</u>	<u>\$ 402,303</u>

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 in the statements of activities:

	<u>2012</u>	<u>2011</u>
Realized gains (losses)	\$ 40,965	\$ (750)
Unrealized gains (losses)	4,482	(96,758)
Interest and dividends	<u>25,678</u>	<u>28,916</u>
Total Investment Income (Loss)	<u>\$ 71,125</u>	<u>\$ (68,592)</u>

## NOTE E - Line of Credit

The Organization has an unsecured line of credit with a commercial bank providing for borrowings up to \$200,000. Advances bear interest at the Wall Street Journal prime rate plus .5% (3.75% effective rate at December 31, 2012), but not less than 5.5%. There was \$200,000 unused and available on the line of credit as of December 31, 2012.



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## NOTE F - Commitments

The Organization conducts its operations from facilities that are leased under operating leases expiring in various years through 2017. At December 31, 2012, the Organization was obligated under noncancelable operating lease arrangements for facilities as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 55,756
2014	25,836
2015	25,836
2016	5,388
2017	<u>3,484</u>
	<u>\$ 116,300</u>

Rent expense for the years ended December 31, 2012 and 2011 was \$152,518 and \$146,237, respectively.

## NOTE G - Capital Lease Obligation

In May 2008, the Organization entered into a financing agreement structured as a capital lease with a commercial leasing company for various computer equipment. The total amount of equipment financed under these agreements was \$113,753. Accumulated amortization on the equipment was \$102,378 and \$79,627 as of December 31, 2012 and 2011, respectively. Amortization is included in depreciation expense.

The future minimum lease payments required under the computer equipment capital lease at December 31, 2012 are:

2013	\$ 11,130
Less amounts representing interest	<u>669</u>
Present value of minimum lease payments	<u>\$ 10,461</u>

## NOTE H - 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 \$87,148 and \$81,194 for the years ended December 31, 2012 and 2011, respectively.

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## NOTE I - Designated Unrestricted Net Assets

The Board of Directors has designated a portion of the unrestricted net assets as an endowment fund for support of capital projects necessary to assist participating athletes, the Athlete Leadership Fund to support SOPA's vision of being the "Global Leader" in Athlete Leadership, and the AI Senavitis Mission Impact Fund to provide resources to ensure athletes in every part of the state are being served with opportunities, programs and competitions.

Designated unrestricted net assets are as follows:

	<u>2012</u>	<u>2011</u>
Capital projects	\$ 1,969,633	\$ 1,908,348
AI Senavitis Mission Impact Fund	251,195	-
Athlete Leadership Fund	<u>241,776</u>	<u>-</u>
Designated Unrestricted Net Assets	<u>\$ 2,462,604</u>	<u>\$ 1,908,348</u>

## NOTE J - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Transportation and related costs to non-local competition events	\$ 458,100	\$ 467,561
Support of athletic events and competitions	-	230,288
Philadelphia Project #1	33,888	5,040
Philadelphia Project #2	9,315	36,190
Philadelphia Project #3	3,521	6,697
Philadelphia Project #4	22,500	-
Events	3,836	3,836
Lee Initiative	-	15,000
Young Athletes	<u>23,859</u>	<u>10,537</u>
Total	<u>\$ 555,019</u>	<u>\$ 775,149</u>

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## NOTE K - 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 disclosures about an organization's endowment funds. As of December 31, 2012, Pennsylvania has not adopted UPMIFA. The following disclosures are made as required by accounting standards. The Organization's endowment includes funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board has established a board-designated quasi-endowment fund, and adopted a policy under which certain unrestricted gift amounts are designated to the fund. The Organization's endowment spending policy is primarily demand driven. The Board may authorize the use of funds from the endowment for the Organization's capital projects necessary to assist participating athletes, needs relating to the mission of the Athlete Leadership Fund and Al Senavitis Mission Impact Fund, or other Board approved expenses. The Board requires that the assets of the quasi-endowment fund be invested in a prudent manner, in a broadly diversified portfolio spread over multiple asset classes.

The transactions affecting the board-designated quasi-endowment are summarized as follows:

	<u>2012</u>	<u>2011</u>
Board-designated quasi-endowment, January 1	\$ 1,908,348	\$ 1,995,787
Contributions	265,540	-
Investment income and net realized gains	58,760	16,801
Unrealized gains (losses)	4,482	(98,069)
Amounts appropriated for expenditure	(5,654)	(6,171)
Transfers to create board designated endowment funds	<u>231,128</u>	<u>-</u>
Board-designated quasi-endowment, December 31	<u>\$ 2,462,604</u>	<u>\$ 1,908,348</u>

## NOTE L - Concentrations

At December 31, 2012 and 2011, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2012, the Organization's uninsured cash balances totaled \$552,002. Due to a change in the federally insured limits effective January 1, 2013, the Organization's uninsured balance was \$1,597,457 on January 1, 2013. These financial institutions have strong credit ratings, and management believes that credit risk related to these deposits is minimal.

Approximately \$1,873,000 and \$1,778,000 of direct marketing contributions was generated by one telemarketing vendor in 2012 and 2011, respectively.

## NOTE M - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 29, 2013, the date the financial statements were available to be issued.