

SPECIAL OLYMPICS PENNSYLVANIA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SPECIAL OLYMPICS PENNSYLVANIA, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 17
SUPPLEMENTARY INFORMATION	
Schedules of Activities - Home Office	18 - 19

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, 2017 and 2016, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017 and 2016, 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.

Report on Supplementary Information

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

A handwritten signature in cursive script that reads "Wipfli LLP".

June 14, 2018
Philadelphia, Pennsylvania

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENTS OF FINANCIAL POSITION

		DECEMBER 31,	
		2017	2016
ASSETS			
Cash and cash equivalents	\$	4,316,767	\$ 5,461,383
Certificates of deposit		1,428,937	1,356,771
Marketable securities		3,154,286	1,516,862
Contributions receivable		587,445	795,739
Inventory		70,326	76,559
Prepaid expenses		34,194	46,602
Office and sports equipment - net of accumulated depreciation and amortization of \$448,384 and \$381,314, respectively		96,531	123,060
TOTAL ASSETS		\$ 9,688,486	\$ 9,376,976
LIABILITIES			
Accounts payable and accrued expenses	\$	391,155	\$ 266,880
Accrued payroll		74,954	78,096
Total Liabilities		466,109	344,976
NET ASSETS			
Unrestricted			
Undesignated		5,966,147	5,917,705
Board designated for endowment		2,576,336	2,433,273
Temporarily restricted		679,894	681,022
Total Net Assets		9,222,377	9,032,000
TOTAL LIABILITIES AND NET ASSETS		\$ 9,688,486	\$ 9,376,976

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,685,599	\$ -	\$ 1,685,599
Contributions	3,737,686	336,076	4,073,762
Special events	2,604,150	-	2,604,150
Investment income	294,188	44,059	338,247
Other income	8,257	-	8,257
Net assets released from restrictions	381,263	(381,263)	-
Total Revenues, Gains, and Other Support	8,711,143	(1,128)	8,710,015
EXPENSES			
Games and competition	3,205,384	-	3,205,384
Sports training	678,022	-	678,022
Field services and outreach	1,381,257	-	1,381,257
Communications	721,516	-	721,516
Management and general	731,269	-	731,269
Fund raising	1,802,190	-	1,802,190
Total Expenses	8,519,638	-	8,519,638
CHANGE IN NET ASSETS	191,505	(1,128)	190,377
NET ASSETS - BEGINNING OF YEAR	8,350,978	681,022	9,032,000
NET ASSETS - END OF YEAR	\$ 8,542,483	\$ 679,894	\$ 9,222,377

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,879,802	\$ -	\$ 1,879,802
Contributions	3,497,909	338,694	3,836,603
Special events	3,060,287	-	3,060,287
Investment income	9,849	712	10,561
Other income	37,394	-	37,394
Net assets released from restrictions	<u>71,557</u>	<u>(71,557)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,556,798</u>	<u>267,849</u>	<u>8,824,647</u>
EXPENSES			
Games and competition	2,913,494	-	2,913,494
Sports training	605,181	-	605,181
Field services and outreach	1,397,389	-	1,397,389
Communications	819,001	-	819,001
Management and general	748,653	-	748,653
Fund raising	<u>2,118,000</u>	<u>-</u>	<u>2,118,000</u>
Total Expenses	<u>8,601,718</u>	<u>-</u>	<u>8,601,718</u>
CHANGE IN NET ASSETS	(44,920)	267,849	222,929
NET ASSETS - BEGINNING OF YEAR	<u>8,395,898</u>	<u>413,173</u>	<u>8,809,071</u>
NET ASSETS - END OF YEAR	<u>\$ 8,350,978</u>	<u>\$ 681,022</u>	<u>\$ 9,032,000</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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 190,377	\$ 222,929
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,070	66,343
Net realized and unrealized (gain) loss on marketable securities	(262,997)	15,007
(Increase) decrease in assets		
Contributions receivable	208,294	(412,255)
Inventory	6,233	6,392
Prepaid expenses	12,408	(14,847)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	124,275	(121,430)
Accrued payroll	(3,142)	6,217
Net Cash Provided by (Used in) Operating Activities	342,518	(231,644)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(3,454,876)	(1,513,389)
Proceeds from sales of marketable securities	2,080,449	611,941
Redemption of certificates of deposit	337,758	1,074,117
Purchase of certificates of deposit	(409,924)	(369,601)
Purchase of equipment	(40,541)	(26,902)
Net Cash Used in Investing Activities	(1,487,134)	(223,834)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,144,616)	(455,478)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,461,383	5,916,861
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,316,767	\$ 5,461,383

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS	MANAGEMENT AND GENERAL	FUND RAISING	
Salary and benefits	\$ 704,635	\$ 102,273	\$ 866,076	\$ 223,166	\$ 341,242	\$ 622,388	\$ 2,859,780
Accreditation fee	89,961	11,176	20,301	-	-	-	121,438
Contracted services	152,296	20,851	91,119	12,760	60,988	127,022	465,036
Depreciation and amortization	13,305	998	16,275	4,151	22,778	9,563	67,070
Educational materials	-	-	1,297	451,245	1,239	-	453,781
Facilities and meals	504,967	242,457	100,710	438	42,825	140,020	1,031,417
Service charges	999	252	3,794	76	55,591	93,550	154,262
Hotels	407,832	10,204	43,481	54	7,682	31,520	500,773
In-kind expenses	172,360	126,790	2,552	-	13,096	207,627	522,425
Insurance	84,443	11,681	17,601	-	6,958	1,300	121,983
Office administration	97,490	36,539	61,794	19,333	136,796	42,751	394,703
Printed materials	92,030	6,389	40,721	6,423	2,803	47,780	196,146
Professional fees	44,320	5,201	28,989	185	1,143	6,127	85,965
Registration fees	80,919	44	-	-	150	9,460	90,573
Sports equipment and uniforms	379,023	62,671	48,030	358	10,024	203,143	703,249
Telemarketing	-	-	-	-	-	242,978	242,978
Travel	380,804	40,496	38,517	3,327	27,954	16,961	508,059
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,205,384</u>	<u>\$ 678,022</u>	<u>\$ 1,381,257</u>	<u>\$ 721,516</u>	<u>\$ 731,269</u>	<u>\$ 1,802,190</u>	<u>\$ 8,519,638</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 30, 2016

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS	MANAGEMENT AND GENERAL	FUND RAISING	
Salary and benefits	\$ 556,702	\$ 76,291	\$ 882,729	\$ 243,172	\$ 396,570	\$ 639,562	\$ 2,795,026
Accreditation fee	104,613	2,630	19,337	-	-	-	126,580
Contracted services	113,318	11,891	77,469	8,088	69,341	102,540	382,647
Depreciation and amortization	10,820	887	16,511	3,867	24,907	9,351	66,343
Educational materials	-	150	67	534,796	-	-	535,013
Facilities and meals	485,220	269,360	103,639	26	6,193	198,355	1,062,793
Service charges	317	35	10	131	19,823	122,182	142,498
Hotels	393,477	2,990	61,491	34	5,419	16,804	480,215
In-kind expenses	160,999	84,945	4,278	2,440	7,002	370,557	630,221
Insurance	73,387	11,413	15,364	-	6,317	1,797	108,278
Office administration	61,631	44,077	66,178	15,366	136,201	40,958	364,411
Printed materials	76,267	7,191	20,855	7,018	233	40,341	151,905
Professional fees	35,603	3,265	28,029	884	50,521	22,902	141,204
Registration fees	200	53	705	300	3,471	3,394	8,123
Sports equipment and uniforms	447,619	58,276	72,816	139	-	206,896	785,746
Telemarketing	-	-	-	-	-	287,967	287,967
Travel	393,321	31,727	27,911	2,740	22,655	54,394	532,748
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,913,494</u>	<u>\$ 605,181</u>	<u>\$ 1,397,389</u>	<u>\$ 819,001</u>	<u>\$ 748,653</u>	<u>\$ 2,118,000</u>	<u>\$ 8,601,718</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 approximately 20,000 children and adults with intellectual disabilities or closely related developmental disabilities. More than 200 local, sectional (regional), and state level competitions are hosted each year. Programs and services are delivered through the efforts of approximately 30,000 volunteers and 56 local 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, special events and direct marketing contributions.

All Special Olympics activities are provided without charge to the participants 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 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 Organization reports its investments at fair value. The fair value of exchange traded funds and stocks is based on quoted market prices in active markets and are therefore considered as Level 1 measurements. The fair value of bonds is based on the yields currently available on comparable securities of issuers with similar credit ratings and are therefore considered as Level 2 measurements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - Summary of Significant Accounting Policies - continued

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.

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.

Contributions Receivable - The Organization provides for uncollectible contributions receivable using the allowance method, which is based on management's judgment concerning historical collectability and analysis of individual contributions receivable. Past due receivables are individually analyzed for collectability and written off when all efforts at collection have been exhausted. There was no allowance as of December 31, 2017 and 2016.

Inventory - Following the adoption of FASB Accounting Standard Update 2015-11 *Inventory* on January 1, 2017, inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out method. Adoption of this guidance had no effect on the Company's financial statements.

Equipment - The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$500; the fair value of donated equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Equipment acquired by capital leases is amortized over the terms of the lease or the estimated useful life of the equipment, whichever is shorter.

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, 2017 and 2016 were \$204,830 and \$300,893, 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, 2017 and 2016 were \$317,595 and \$329,328, respectively.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - Summary of Significant Accounting Policies - continued

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, 2017 and 2016, respectively, the cost of conducting those campaigns included \$694,223 and \$822,763 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:

	2017	2016
Program - Communications	\$ 451,245	\$ 534,796
Fund raising	242,978	287,967
	\$ 694,223	\$ 822,763

Program costs are identified as educational materials in the statements of functional expenses.

Special Events - For the years ended December 31, 2017 and 2016, the direct costs of special events were \$806,500 and \$865,313, 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.

Recently Issued Accounting Standards - On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function, and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Organization is currently in the process of determining the impact of the new standard, and has not elected to early implement the amendments.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, "Revenue Recognition," and most industry-specific guidance. The amendments in the ASU must be applied using one of two retrospective methods. The ASU is effective for nonpublic companies for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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 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, 2017 and 2016, the Organization paid \$121,438 and \$126,580, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2017 and 2016, \$333,066 and \$429,400, respectively, due from SOI cooperative national fund raising projects are reported as contributions receivable in the statements of financial position. The Organization has a direct marketing fundraising agreement with SOI which raised \$1,406,135 and \$1,522,534 direct marketing contributions from unrelated parties for the years ended December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, expenses incurred relating to the agreement were \$562,567 and \$656,067, respectively. For the years ended December 31, 2017 and 2016, SOI provided grants to the Organization of \$225,000 and \$291,600, respectively, which are recorded in temporarily restricted contributions.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE D - Marketable Securities

Marketable securities, at fair value, as of December 31, 2017 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Fund	\$ 143,046	\$ -	\$ 143,046
Certificates of Deposit	-	160,000	160,000
Exchange Traded Funds			
Large blend	466,000	-	466,000
Mid-cap blend	51,051	-	51,051
Small blend	79,498	-	79,498
Foreign large blend	305,891	-	305,891
Foreign small/mid blend	27,542	-	27,542
Domestic fixed income	416,085	-	416,085
Emerging markets	140,657	-	140,657
Energy	28,157	-	28,157
International	96,782	-	96,782
Intermediate-term bond	39,652	-	39,652
Total Exchange Traded Funds	<u>1,651,315</u>	<u>-</u>	<u>1,651,315</u>
Stocks			
Basic materials	74,544	-	74,544
Consumer goods	190,613	-	190,613
Financial	94,901	-	94,901
Healthcare	143,382	-	143,382
Industrial goods	53,295	-	53,295
Services	66,902	-	66,902
Technology	103,122	-	103,122
Utilities	15,744	-	15,744
Total Stocks	<u>742,503</u>	<u>-</u>	<u>742,503</u>
Bonds			
US Treasury bonds	-	51,941	51,941
Municipal bonds	-	26,043	26,043
Corporate bonds	-	379,438	379,438
Total Bonds	<u>-</u>	<u>457,422</u>	<u>457,422</u>
Total Marketable Securities	<u>\$ 2,536,864</u>	<u>\$ 617,422</u>	<u>\$ 3,154,286</u>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE D - Marketable Securities - continued

Marketable securities, at fair value, as of December 31, 2016 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Fund	\$ 360,155	\$ -	\$ 360,155
Exchange Traded Funds			
Mid-cap blend	32,077	-	32,077
Small blend	32,317	-	32,317
Foreign large blend	55,882	-	55,882
Foreign small/mid blend	15,609	-	15,609
Domestic fixed income	64,861	-	64,861
Emerging markets	93,316	-	93,316
Energy	24,182	-	24,182
International	44,186	-	44,186
Intermediate-term bond	39,558	-	39,558
Total Exchange Traded Funds	<u>401,988</u>	<u>-</u>	<u>401,988</u>
Stocks			
Basic materials	43,327	-	43,327
Consumer goods	110,938	-	110,938
Financial	49,140	-	49,140
Healthcare	100,089	-	100,089
Industrial goods	28,879	-	28,879
Services	68,704	-	68,704
Technology	53,838	-	53,838
Utilities	10,011	-	10,011
Total Stocks	<u>464,926</u>	<u>-</u>	<u>464,926</u>
Bonds			
US Treasury bonds	-	37,374	37,374
Corporate bonds	-	252,419	252,419
Total Bonds	<u>-</u>	<u>289,793</u>	<u>289,793</u>
Total Marketable Securities	<u>\$ 1,227,069</u>	<u>\$ 289,793</u>	<u>\$ 1,516,862</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.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE D - Marketable Securities - continued

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

	<u>2017</u>	<u>2016</u>
Net realized and unrealized gains (losses)	\$ 262,997	\$ (15,007)
Interest and dividends	<u>75,250</u>	<u>25,568</u>
Total Investment Income	<u>\$ 338,247</u>	<u>\$ 10,561</u>

NOTE E - Contributions Receivable

Contributions receivable as of December 31, 2017 and 2016, are due as follows:

	<u>2017</u>	<u>2016</u>
Due within 1 year	\$ 537,445	\$ 695,739
Due within 2 to 5 years	<u>50,000</u>	<u>100,000</u>
Total Contributions Receivable	<u>\$ 587,445</u>	<u>\$ 795,739</u>

NOTE F - 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% (4.5% effective rate at December 31, 2017). There was \$500,000 unused and available on the line of credit as of December 31, 2017. The line of credit expires on August 31, 2018.

NOTE G - Commitments

The Organization conducts its operations from facilities that are leased under operating leases expiring in various years through 2021. The Organization also utilizes office equipment that is leased under operating leases expiring in various years through 2022. At December 31, 2017, the Organization was obligated under noncancelable operating lease arrangements for facilities and office equipment as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 131,001
2019	133,625
2020	124,674
2021	11,429
2022	<u>5,529</u>
	<u>\$ 406,258</u>

Rent expense for the years ended December 31, 2017 and 2016 was \$232,608 and \$213,487, respectively.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 \$129,891 and \$110,269 for the years ended December 31, 2017 and 2016, respectively.

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>2017</u>	<u>2016</u>
Capital projects	\$ 2,297,992	\$ 2,096,625
AI Senavitis Mission Impact Fund	258,649	256,099
Athlete Leadership Fund	<u>19,695</u>	<u>80,549</u>
Designated Unrestricted Net Assets	<u>\$ 2,576,336</u>	<u>\$ 2,433,273</u>

NOTE J - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Transportation and related costs to non-local competition events	\$ 386,108	\$ 374,671
Unified Champion Schools	285,858	294,603
Young Athletes	<u>7,928</u>	<u>11,748</u>
Total	<u>\$ 679,894</u>	<u>\$ 681,022</u>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017, 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>2017</u>	<u>2016</u>
Board-designated quasi-endowment, January 1	\$ 2,433,273	\$ 2,479,427
Contributions	16,597	25,365
Investment income and net realized gains	74,225	65,450
Unrealized gains (losses)	173,652	(66,646)
Amounts appropriated for expenditure	<u>(121,411)</u>	<u>(70,323)</u>
Board-designated quasi-endowment, December 31	<u>\$ 2,576,336</u>	<u>\$ 2,433,273</u>

NOTE L - Concentrations

At December 31, 2017, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2017, the Organization's uninsured cash balances totaled approximately \$3,518,000. These financial institutions have strong credit ratings, and management believes that credit risk related to these deposits is minimal.

NOTE M - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 14, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SPECIAL OLYMPICS PENNSYLVANIA, INC.
SCHEDULE OF ACTIVITIES - HOME OFFICE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,685,599	\$ -	\$ 1,685,599
Contributions	2,539,274	336,076	2,875,350
Special events	1,413,624	-	1,413,624
Investment income	254,207	22,991	277,198
Other income	226,720	-	226,720
Net assets released from restrictions	<u>371,043</u>	<u>(371,043)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>6,490,467</u>	<u>(11,976)</u>	<u>6,478,491</u>
EXPENSES			
Games and competition	2,164,118	-	2,164,118
Sports training	241,690	-	241,690
Field services and outreach	1,513,963	-	1,513,963
Communications	712,832	-	712,832
Management and general	453,091	-	453,091
Fund raising	<u>1,378,273</u>	<u>-</u>	<u>1,378,273</u>
Total Expenses	<u>6,463,967</u>	<u>-</u>	<u>6,463,967</u>
CHANGE IN NET ASSETS	26,500	(11,976)	14,524
NET ASSETS - BEGINNING OF YEAR	<u>2,953,957</u>	<u>507,315</u>	<u>3,461,272</u>
NET ASSETS - END OF YEAR	<u>\$ 2,980,457</u>	<u>\$ 495,339</u>	<u>\$ 3,475,796</u>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
SCHEDULE OF ACTIVITIES - HOME OFFICE
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,879,802	\$ -	\$ 1,879,802
Contributions	2,432,272	338,694	2,770,966
Special events	1,635,127	-	1,635,127
Investment income	(217)	378	161
Other income	243,828	-	243,828
Net assets released from restrictions	<u>61,936</u>	<u>(61,936)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>6,252,748</u>	<u>277,136</u>	<u>6,529,884</u>
EXPENSES			
Games and competition	1,992,024	-	1,992,024
Sports training	89,724	-	89,724
Field services and outreach	1,517,537	-	1,517,537
Communications	806,799	-	806,799
Management and general	544,814	-	544,814
Fund raising	<u>1,568,858</u>	<u>-</u>	<u>1,568,858</u>
Total Expenses	<u>6,519,756</u>	<u>-</u>	<u>6,519,756</u>
CHANGE IN NET ASSETS	(267,008)	277,136	10,128
NET ASSETS - BEGINNING OF YEAR	<u>3,220,965</u>	<u>230,179</u>	<u>3,451,144</u>
NET ASSETS - END OF YEAR	<u>\$ 2,953,957</u>	<u>\$ 507,315</u>	<u>\$ 3,461,272</u>