

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Special Olympics Pennsylvania - State Office
Norristown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Pennsylvania - State Office which comprise the statements of financial position as of December 31, 2015 and 2014, 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 - State Office as of December 31, 2015 and 2014, 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.

Wipfli LLP

June 23, 2016
Media, Pennsylvania

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENTS OF FINANCIAL POSITION

		DECEMBER 31,	
		2015	2014
ASSETS			
Cash and cash equivalents	\$	2,007,000	\$ 2,261,316
Certificates of deposit		881,736	700,417
Marketable securities		630,421	644,231
Contributions receivable		375,831	260,389
Due from local programs		22,618	52,351
Inventory		-	7,966
Prepaid expenses		26,130	65,416
Office equipment - net of accumulated depreciation and amortization of \$114,224 and \$76,640, respectively		95,253	123,469
TOTAL ASSETS	\$	4,038,989	\$ 4,115,555
LIABILITIES			
Accounts payable and accrued expenses	\$	515,966	\$ 360,488
Accrued payroll		71,879	57,342
Total Liabilities		587,845	417,830
NET ASSETS			
Unrestricted			
Undesignated		741,538	854,005
Board designated for endowment		2,479,427	2,562,843
Temporarily restricted		230,179	280,877
Total Net Assets		3,451,144	3,697,725
TOTAL LIABILITIES AND NET ASSETS	\$	4,038,989	\$ 4,115,555

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,739,679	\$ -	\$ 1,739,679
Contributions	2,067,634	126,600	2,194,234
Special events	1,525,815	-	1,525,815
Investment income (losses)	(14,775)	445	(14,330)
State competition registration fees	261,589	-	261,589
Net assets released from restrictions	<u>177,743</u>	<u>(177,743)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>5,757,685</u>	<u>(50,698)</u>	<u>5,706,987</u>
EXPENSES			
Games and competition	1,895,797	-	1,895,797
Sports training	175,137	-	175,137
Field services and outreach	1,491,947	-	1,491,947
Public education	533,582	-	533,582
Management and general	390,540	-	390,540
Fund raising	<u>1,466,565</u>	<u>-</u>	<u>1,466,565</u>
Total Expenses	<u>5,953,568</u>	<u>-</u>	<u>5,953,568</u>
CHANGE IN NET ASSETS	(195,883)	(50,698)	(246,581)
NET ASSETS - BEGINNING OF YEAR	<u>3,416,848</u>	<u>280,877</u>	<u>3,697,725</u>
NET ASSETS - END OF YEAR	<u>\$ 3,220,965</u>	<u>\$ 230,179</u>	<u>\$ 3,451,144</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,791,084	\$ -	\$ 1,791,084
Contributions	1,565,816	106,354	1,672,170
Special events	1,373,303	-	1,373,303
Investment income	39,623	493	40,116
State competition registration fees	236,288	-	236,288
Net assets released from restrictions	<u>109,014</u>	<u>(109,014)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>5,115,128</u>	<u>(2,167)</u>	<u>5,112,961</u>
EXPENSES			
Games and competition	1,831,338	-	1,831,338
Sports training	159,978	-	159,978
Field services and outreach	1,394,329	-	1,394,329
Public education	529,974	-	529,974
Management and general	385,773	-	385,773
Fund raising	<u>1,069,704</u>	<u>-</u>	<u>1,069,704</u>
Total Expenses	<u>5,371,096</u>	<u>-</u>	<u>5,371,096</u>
CHANGE IN NET ASSETS	(255,968)	(2,167)	(258,135)
NET ASSETS - BEGINNING OF YEAR	<u>3,672,816</u>	<u>283,044</u>	<u>3,955,860</u>
NET ASSETS - END OF YEAR	<u>\$ 3,416,848</u>	<u>\$ 280,877</u>	<u>\$ 3,697,725</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (246,581)	\$ (258,135)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	37,584	32,009
Net realized and unrealized (gains) losses on marketable securities	26,121	(26,855)
(Increase) decrease in assets		
Contributions receivable	(115,442)	176,057
Due from local programs	29,733	22,470
Inventory	7,966	4,886
Prepaid expenses	39,286	(13,211)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	155,478	(49,840)
Accrued payroll	<u>14,537</u>	<u>13,403</u>
Net Cash Used in Operating Activities	<u>(51,318)</u>	<u>(99,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(433,409)	(875,726)
Proceeds from sales of marketable securities	421,098	861,425
Redemption of certificates of deposit	868,681	878,985
Purchase of certificates of deposit	(1,050,000)	(701,000)
Purchase of equipment	<u>(9,368)</u>	<u>(66,720)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(202,998)</u>	<u>96,964</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(254,316)	(2,252)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,261,316</u>	<u>2,263,568</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,007,000</u>	<u>\$ 2,261,316</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	PUBLIC EDUCATION	MANAGEMENT AND GENERAL	FUND RAISING	
Salary	\$ 400,790	\$ 48,240	\$ 613,436	\$ 149,152	\$ 226,700	\$ 344,461	\$ 1,782,779
Benefits - health	46,175	5,558	70,675	17,184	26,118	39,686	205,396
Benefits - pension	20,948	2,521	32,062	7,796	11,849	18,004	93,180
Benefits - other	2,687	323	4,112	1,000	1,520	2,309	11,951
Payroll taxes	31,534	3,796	48,265	11,735	17,837	27,102	140,269
Annuity payment	-	-	-	-	-	1,561	1,561
Awards - medals, ribbons, plaques	36,760	-	1,698	-	-	7,384	45,842
Business insurance	73,141	10,449	15,673	-	5,224	1,050	105,537
Computer on-line expense	3,055	259	2,555	231	3,183	2,467	11,750
Contracted services	47,610	1,401	82,944	13,044	15,160	85,135	245,294
Criminal records check	825	-	2,027	-	60	-	2,912
Depreciation and amortization	9,690	1,446	13,639	2,546	3,961	6,302	37,584
Electricity	2,485	350	3,598	782	1,254	1,872	10,341
Equipment rent/lease	23,856	3,291	5,275	801	1,131	40,905	75,259
Facilities	95,936	385	795	-	1,626	19,022	117,764
Grant expense	-	-	-	-	-	15,000	15,000
Hotel/housing expense	401,249	810	60,624	430	5,052	28,516	496,681
In-kind expense - food	50,750	32,668	-	-	-	2,105	85,523
In-kind expense - facilities	-	20,135	-	-	-	-	20,135
In-kind expense - materials	6,632	3,855	-	-	-	-	10,487
In-kind expense - services	1,306	6,967	-	-	-	326,340	334,613
Revenue shared with local programs	-	-	335,044	-	-	-	335,044
Maintenance contracts	3,499	158	6,967	882	2,326	10,883	24,715
Meals	243,068	812	55,887	100	5,586	21,128	326,581

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The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	PUBLIC EDUCATION	MANAGEMENT AND GENERAL	FUND RAISING	
Membership dues	120	-	-	175	535	822	1,652
Office supplies and expense	3,449	138	1,216	71	18,605	1,952	25,431
Photographs/films/videos	195	940	-	1,973	-	4,316	7,424
Postage	2,542	876	1,832	846	3,097	6,998	16,191
Print/publications	1,825	142	1,106	1,208	213	19,158	23,652
Professional development	1,200	-	36	-	-	149	1,385
Professional fees	40,007	3,214	9,932	3,101	8,508	13,009	77,771
Promotional items	-	-	-	-	-	61,204	61,204
Rent	43,485	4,743	40,748	7,932	12,332	20,847	130,087
Registration expense	21,857	-	-	-	1,125	7,630	30,612
Service charge	-	-	21	-	9,594	51,486	61,101
Signs/banners	8,576	-	224	998	-	2,138	11,936
SOI accreditation fee	91,520	8,430	19,303	-	-	-	119,253
Sports equipment	11,383	5,233	777	-	-	6,481	23,874
Supplies	28,310	1,074	7,575	211	325	8,662	46,157
Telemarketing expense	-	-	-	308,478	-	166,058	474,536
Telephone	7,591	658	9,388	1,795	2,439	4,777	26,648
Tents	14,089	-	1,797	-	-	11,391	27,277
Transportation	42,031	2,400	381	-	-	2,365	47,177
Travel	30,010	3,544	30,506	694	3,391	27,419	95,564
Uniforms	43,803	266	6,627	-	924	45,554	97,174
Volunteer recognition grant	1,808	55	5,202	417	865	2,917	11,264
TOTAL FUNCTIONAL EXPENSES	\$ 1,895,797	\$ 175,137	\$ 1,491,947	\$ 533,582	\$ 390,540	\$ 1,466,565	\$ 5,953,568

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	PUBLIC EDUCATION	MANAGEMENT AND GENERAL	FUND RAISING	
Salary	\$ 256,211	\$ 55,845	\$ 605,960	\$ 140,597	\$ 200,596	\$ 310,772	\$ 1,569,981
Benefits - health	31,039	6,766	73,410	17,033	24,302	37,649	190,199
Benefits - pension	13,790	3,006	32,615	7,567	10,797	16,727	84,502
Benefits - other	1,719	375	4,066	943	1,346	2,085	10,534
Payroll taxes	20,238	4,411	47,865	11,106	15,845	24,548	124,013
Annuity payment	-	-	-	-	-	2,602	2,602
Awards - medals, ribbons, plaques	27,793	-	3,878	-	-	7,132	38,803
Business insurance	73,928	10,158	15,236	-	5,165	-	104,487
Computer on-line expense	1,749	262	2,153	448	1,876	2,250	8,738
Contracted services	40,378	1,505	45,042	12,650	15,983	70,075	185,633
Contributions	188,737	-	-	-	-	-	188,737
Criminal records check	-	-	998	-	10	26	1,034
Depreciation and amortization	5,018	1,269	13,178	2,950	3,414	6,180	32,009
Electricity	1,358	328	3,449	996	1,182	2,041	9,354
Equipment rent/lease	26,453	1,123	8,167	2,748	1,423	35,387	75,301
Facilities	72,880	-	3,761	-	-	4,525	81,166
Grant expense	-	-	-	-	-	15,000	15,000
Hotel/housing expense	390,666	372	58,492	2,772	4,183	48,387	504,872
In-kind expense - food	112,875	34,184	-	-	-	3,686	150,745
In-kind expense - facilities	3,550	20,135	-	-	-	-	23,685
In-kind expense - materials	300	4,136	-	-	-	-	4,436
In-kind expense - services	600	7,907	-	-	-	-	8,507
Revenue shared with local programs	-	-	282,966	-	-	-	282,966
Maintenance contracts	987	2	13,401	235	810	5,422	20,857
Meals	245,219	199	53,245	4,350	3,367	42,341	348,721

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The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	PUBLIC EDUCATION	MANAGEMENT AND GENERAL	FUND RAISING	
Membership dues	-	-	-	220	300	890	1,410
Office supplies and expense	3,126	296	5,154	864	6,448	4,026	19,914
Photographs/films/videos	750	966	-	1,885	-	4,107	7,708
Postage	3,399	417	1,669	1,990	2,157	3,222	12,854
Print/publications	2,825	126	1,354	4,631	403	44,655	53,994
Professional development	-	-	49	-	-	-	49
Professional fees	12,364	22	3,891	2,940	40,394	10,640	70,251
Promotional items	-	-	303	317	-	67,473	68,093
Rent	21,331	3,541	36,836	10,627	13,062	22,287	107,684
Registration expense	1,713	-	-	-	5,241	1,517	8,471
Service charge	39	-	-	-	7,327	38,044	45,410
Signs/banners	3,848	-	-	1,476	-	7,738	13,062
SOI accreditation fee	78,713	1	-	19,146	13,953	-	111,813
Sports equipment	5,511	-	2,718	-	-	123	8,352
Supplies	14,725	458	4,296	10	249	8,883	28,621
Telemarketing expense	-	-	4,177	276,697	-	144,814	425,688
Telephone	5,463	729	10,152	2,211	2,478	5,099	26,132
Tents	11,343	-	1,797	-	-	20,566	33,706
Transportation	16,115	-	8,580	-	105	158	24,958
Travel	23,812	1,296	36,769	2,233	2,973	36,262	103,345
Uniforms	109,804	-	6,423	-	-	10,674	126,901
Volunteer recognition grant	969	143	2,279	332	384	1,691	5,798
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,831,338</u>	<u>\$ 159,978</u>	<u>\$ 1,394,329</u>	<u>\$ 529,974</u>	<u>\$ 385,773</u>	<u>\$ 1,069,704</u>	<u>\$ 5,371,096</u>

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - Summary of Significant Accounting Policies

Nature of Activities - Special Olympics Pennsylvania, Inc. (SOPA), 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 40,000 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.

The State Office is responsible for the accreditation, quality assurance, management and supervision of all local and statewide program activities of Special Olympics Pennsylvania, Inc. In addition the State Office is responsible for managing and providing financial support for sectional, statewide, national and international competitions.

Basis of Presentation - The financial statements of the Special Olympics Pennsylvania - State Office (State Office) have been prepared on the accrual basis of accounting and reporting for voluntary health and welfare organizations. These financial statements include the accounts of the State Office of the Special Olympics Pennsylvania, Inc. and Philadelphia County (effective January 1, 2015) and do not include the accounts of the local counties' Special Olympics programs operating in Pennsylvania which, along with the accounts of the State Office, are collectively reported as Special Olympics Pennsylvania, Inc. Consequently, these financial statements do not include all of the assets, liabilities, net assets, revenues and expenses of Special Olympics Pennsylvania, Inc., and are only intended to report on the financial position, activities, and cash flows of the State Office. Transactions between the State Office and the various local counties' programs are detailed in Note C.

The State Office 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.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - Summary of Significant Accounting Policies - continued

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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the State Office 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 State Office 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 State Office 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 advertising and public service announcements, for the years ended December 31, 2015 and 2014, were \$334,613 and \$8,507, respectively. In addition, a substantial number of volunteers donated significant amounts of their time to assist in the State Office's activities, which do not meet the recognition criteria described above and have accordingly not been reflected in the accompanying financial statements.

The State Office records the value of contributed goods when there is an objective basis available to measure their value. Contributed materials and equipment are recorded 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, 2015 and 2014, were \$116,145 and \$178,866, respectively.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - Summary of Significant Accounting Policies - continued

Expense Allocation - The State Office achieves some of its programmatic and fund raising goals in telemarketing campaigns that include requests for contributions. For the years ended December 31, 2015 and 2014, the cost of conducting those campaigns included \$474,536 and \$425,688, respectively, 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>2015</u>	<u>2014</u>
Program	\$ 308,478	\$ 280,874
Fund raising	<u>166,058</u>	<u>144,814</u>
	<u>\$ 474,536</u>	<u>\$ 425,688</u>

Special Events - For the years ended December 31, 2015 and 2014, the direct costs of special events were \$387,575 and \$361,317, 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.

NOTE B - Tax Status

The State Office is part of Special Olympics Pennsylvania, Inc. which 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 State Office is registered as required with the Pennsylvania Bureau of Charitable Organizations.

The tax returns of the Special Olympics Pennsylvania, Inc. for 2012, 2013 and 2014 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 State Office as part of Special Olympics Pennsylvania, Inc. is accredited by Special Olympics, Inc. (SOI) to conduct Special Olympics activities within the Commonwealth. For the years ended December 31, 2015 and 2014, the State Office received \$87,801 and \$86,796, respectively, from SOI cooperative national fund raising projects and paid \$119,253 and \$111,813, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2015 and 2014, \$99,739 and \$66,712, respectively, due from SOI cooperative national fund raising projects are reported as contributions receivable in the statements of financial position.

Payments of \$- and \$188,737 to SOPA - Philadelphia County during 2015 and 2014, respectively, are reported as contributions in the statements of functional expenses.

For the years ended December 31, 2015 and 2014, the state office received \$261,589 and \$236,288, respectively, in fees from county programs related to competition registration, conferences and grant writing.

SPECIAL OLYMPICS PENNSYLVANIA - STATE OFFICE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE C - Related Party Transactions - continued

As of December 31, 2015 and 2014, receivables of \$22,618 and \$52,351, respectively, were due from various county programs.

NOTE D - Marketable Securities

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

<u>(Level 1)</u>	<u>2015</u>	<u>2014</u>
Exchange Traded Funds		
Asset allocation funds - Large blend	\$ 32,314	\$ 19,732
Asset allocation funds - Large growth	41,388	38,203
Asset allocation funds - Large value	-	20,536
Asset allocation funds - Small growth	18,524	-
Sector funds - Consumer discretionary	25,806	58,311
Sector funds - Consumer goods	12,686	19,066
Sector funds - Energy	8,809	26,537
Sector funds - Healthcare	60,652	77,327
Sector funds - Industrial	-	6,776
Sector funds - Natural resources	25,555	45,775
Sector funds - Technology	28,482	55,652
Stock funds - Financial	48,538	21,856
Stock funds - International	13,364	19,442
Total Exchange Traded Funds	<u>316,118</u>	<u>409,213</u>
Stocks		
Basic materials	22,654	-
Consumer goods	24,910	47,792
Financial	46,613	51,056
Industrial goods	19,469	6,502
Services	60,309	32,553
Technology	109,503	64,934
Total Stocks	<u>283,458</u>	<u>202,837</u>
Stock warrants	<u>30,845</u>	<u>32,181</u>
Total Marketable Securities	<u>\$ 630,421</u>	<u>\$ 644,231</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.

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NOTE D - Marketable Securities - continued

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

	<u>2015</u>	<u>2014</u>
Realized gains	\$ 44,054	\$ 43,378
Unrealized losses	(70,175)	(16,523)
Interest and dividends	<u>11,791</u>	<u>13,261</u>
Total Investment Income (Losses)	<u>\$ (14,330)</u>	<u>\$ 40,116</u>

NOTE E - Line of Credit

The State Office has an unsecured line of credit with a commercial bank providing for borrowings up to \$400,000. Advances bear interest at the Wall Street Journal prime rate plus 1% (4.5% effective rate at December 31, 2015). There was \$400,000 unused and available on the line of credit as of December 31, 2015.

NOTE F - Commitments

The State Office conducts its operations from facilities that are leased under operating leases expiring in various years through 2020. At December 31, 2015, the Organization was obligated under noncancelable operating lease arrangements for facilities as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 121,242
2017	121,941
2018	121,522
2019	124,146
2020	<u>117,145</u>
	<u>\$ 605,996</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$130,087 and \$107,684, respectively.

NOTE G - Retirement Plan

SOPA has a retirement plan covering eligible employees which provides for contributions at the discretion of SOPA and also contains a 401(k) feature which provides for salary reduction and certain employer matching contributions. Retirement plan expense for the State Office was \$93,180 and \$84,502 for the years ended December 31, 2015 and 2014, respectively.

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NOTE H - 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>2015</u>	<u>2014</u>
Capital projects	\$ 2,099,883	\$ 2,116,036
AI Senavitis Mission Impact Fund	257,076	284,086
Athlete Leadership Fund	<u>122,468</u>	<u>162,721</u>
Designated Unrestricted Net Assets	<u>\$ 2,479,427</u>	<u>\$ 2,562,843</u>

NOTE I - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Transportation and related costs to non-local competition events	\$ 200,580	\$ 222,372
Philadelphia Project #1	20,661	46,016
Young athletes	<u>8,938</u>	<u>12,489</u>
Total	<u>\$ 230,179</u>	<u>\$ 280,877</u>

NOTE J - 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, 2015, Pennsylvania has not adopted UPMIFA. The following disclosures are made as required by accounting standards. The State Office'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 State Office'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 State Office's endowment spending policy is primarily demand driven. The Board may authorize the use of funds from the endowment for the State Office's capital projects necessary to assist participating athletes, needs relating to the mission of the Athlete Leadership Fund and AI 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.

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NOTE J - Endowment Fund - continued

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

	<u>2015</u>	<u>2014</u>
Board-designated quasi-endowment, January 1	\$ 2,562,843	\$ 2,588,504
Contributions	19,072	10,509
Investment income and net realized gains	63,210	63,347
Unrealized losses	(70,175)	(16,523)
Amounts appropriated for expenditure	<u>(95,523)</u>	<u>(82,994)</u>
Board-designated quasi-endowment, December 31	<u>\$ 2,479,427</u>	<u>\$ 2,562,843</u>

NOTE K - Concentrations

At December 31, 2015, the State Office had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2015, the State Office's uninsured cash balances totaled \$1,149,000. These financial institutions have strong credit ratings, and management believes that credit risk related to these deposits is minimal.

Approximately \$1,189,000 and \$1,252,000 of direct marketing contributions were generated by one telemarketing vendor in 2015 and 2014, respectively.

NOTE L - Subsequent Events

In preparing these financial statements, the State Office has evaluated events and transactions for potential recognition or disclosure through June 23, 2016, the date the financial statements were available to be issued.