

SPECIAL OLYMPICS PENNSYLVANIA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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".

August 9, 2019
Philadelphia, Pennsylvania

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENTS OF FINANCIAL POSITION

		DECEMBER 31,	
		2018	2017
ASSETS			
Cash and cash equivalents	\$	4,707,024	\$ 4,316,767
Certificates of deposit		1,371,426	1,428,937
Marketable securities		2,787,589	3,154,286
Contributions receivable		834,790	587,445
Inventory		80,367	70,326
Prepaid expenses		45,584	34,194
Office and sports equipment - net of accumulated depreciation and amortization of \$527,360 and \$448,384, respectively		100,301	96,531
TOTAL ASSETS		\$ 9,927,081	\$ 9,688,486
LIABILITIES			
Accounts payable and accrued expenses	\$	251,237	\$ 391,155
Accrued payroll		95,618	74,954
Total Liabilities		346,855	466,109
NET ASSETS			
Without donor restrictions		8,409,932	8,542,483
With donor restrictions		1,170,294	679,894
Total Net Assets		9,580,226	9,222,377
TOTAL LIABILITIES AND NET ASSETS		\$ 9,927,081	\$ 9,688,486

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,566,260	\$ -	\$ 1,566,260
Contributions	4,569,121	799,657	5,368,778
Special events	2,772,835	-	2,772,835
Investment income (losses)	(162,075)	5,183	(156,892)
Other income	28,780	-	28,780
Net assets released from restrictions	<u>314,440</u>	<u>(314,440)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>9,089,361</u>	<u>490,400</u>	<u>9,579,761</u>
EXPENSES			
Program services:			
Games and competition	3,483,807	-	3,483,807
Sports training	684,862	-	684,862
Field services and outreach	1,483,969	-	1,483,969
Communications	<u>741,714</u>	<u>-</u>	<u>741,714</u>
Total program services	6,394,352	-	6,394,352
Management and general	836,141	-	836,141
Fund raising	<u>1,991,419</u>	<u>-</u>	<u>1,991,419</u>
Total Expenses	<u>9,221,912</u>	<u>-</u>	<u>9,221,912</u>
CHANGE IN NET ASSETS	(132,551)	490,400	357,849
NET ASSETS - BEGINNING OF YEAR	<u>8,542,483</u>	<u>679,894</u>	<u>9,222,377</u>
NET ASSETS - END OF YEAR	<u>\$ 8,409,932</u>	<u>\$ 1,170,294</u>	<u>\$ 9,580,226</u>

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>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</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	<u>381,263</u>	<u>(381,263)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,711,143</u>	<u>(1,128)</u>	<u>8,710,015</u>
EXPENSES			
Program services:			
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	<u>721,516</u>	<u>-</u>	<u>721,516</u>
Total program services	5,986,179	-	5,986,179
Management and general	731,269	-	731,269
Fund raising	<u>1,802,190</u>	<u>-</u>	<u>1,802,190</u>
Total Expenses	<u>8,519,638</u>	<u>-</u>	<u>8,519,638</u>
CHANGE IN NET ASSETS	191,505	(1,128)	190,377
NET ASSETS - BEGINNING OF YEAR	<u>8,350,978</u>	<u>681,022</u>	<u>9,032,000</u>
NET ASSETS - END OF YEAR	<u>\$ 8,542,483</u>	<u>\$ 679,894</u>	<u>\$ 9,222,377</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,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 357,849	\$ 190,377
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,976	67,070
Net realized and unrealized (gain) loss on marketable securities	251,286	(262,997)
(Increase) decrease in assets		
Contributions receivable	(247,345)	208,294
Inventory	(10,041)	6,233
Prepaid expenses	(11,390)	12,408
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(139,918)	124,275
Accrued payroll	20,664	(3,142)
	300,081	342,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(165,632)	(3,454,876)
Proceeds from sales of marketable securities	281,043	2,080,449
Redemption of certificates of deposit	230,520	337,758
Purchase of certificates of deposit	(173,009)	(409,924)
Purchase of equipment	(82,746)	(40,541)
	90,176	(1,487,134)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	390,257	(1,144,616)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,316,767	5,461,383
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,707,024	\$ 4,316,767

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS	MANAGEMENT AND GENERAL	FUND RAISING	
Salary and benefits	\$ 728,631	\$ 78,379	\$ 910,313	\$ 239,007	\$ 462,102	\$ 578,399	\$ 2,996,831
Accreditation fee	101,554	9,641	19,736	-	-	-	130,931
Contracted services	98,229	10,217	119,304	26,699	65,819	238,372	558,640
Depreciation and amortization	18,989	1,066	22,529	5,898	19,646	10,848	78,976
Educational materials	-	-	2	426,641	-	-	426,643
Facilities and meals	504,894	283,802	108,590	573	21,017	191,532	1,110,408
Service charges	1,437	2,480	3,780	-	45,318	122,421	175,436
Hotels	437,791	10,979	35,634	422	12,984	18,469	516,279
In-kind expenses	110,314	116,133	2,465	-	11,053	138,688	378,653
Insurance	81,397	11,665	17,241	-	5,694	1,980	117,977
Office administration	176,251	35,266	64,655	22,638	140,079	86,598	525,487
Printed materials	71,805	8,192	40,680	6,328	2,240	90,551	219,796
Professional fees	172,160	5,122	28,439	360	3,704	14,702	224,487
Registration fees	1,755	-	-	-	852	5,880	8,487
Sports equipment and uniforms	395,535	74,091	71,378	3,271	26,739	219,542	790,556
Telemarketing	-	-	-	-	-	229,382	229,382
Travel	583,065	37,829	39,223	9,877	18,894	44,055	732,943
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,483,807</u>	<u>\$ 684,862</u>	<u>\$ 1,483,969</u>	<u>\$ 741,714</u>	<u>\$ 836,141</u>	<u>\$ 1,991,419</u>	<u>\$ 9,221,912</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, 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.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 21 Olympic-type sports to approximately 20,000 children and adults with intellectual disabilities or closely related developmental disabilities. More than 300 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 55 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 55 local counties' Special Olympics programs operating in Pennsylvania.

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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fair Value of Assets and Liabilities - Fair value is 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.

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, 2018 AND 2017

NOTE A - Summary of Significant Accounting Policies - continued

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, 2018 and 2017.

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

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.

Net Assets - Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net assets without donor restrictions: Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions: Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be needed to be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. 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 net assets without donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions.

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, 2018 and 2017 were \$141,725 and \$204,830, 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.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A - Summary of Significant Accounting Policies - continued

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, 2018 and 2017 were \$236,928 and \$317,595, respectively.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation, information technology, insurance, accreditation fees, and salaries and related benefits. Depreciation, information technology and insurance are allocated based on full time employee equivalent ("FTE"). Salaries and related benefits are allocated based on functional area of work. Accreditation fees are allocated to the program area based on FTE's.

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, 2018 and 2017, the cost of conducting those campaigns included \$656,023 and \$694,223, 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:

	2018	2017
Program - Communications	\$ 426,641	\$ 451,245
Fund raising	229,382	242,978
	\$ 656,023	\$ 694,223

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

Special Events - For the years ended December 31, 2018 and 2017, the direct costs of special events were \$673,089 and \$806,500, respectively, and are included in various categories in the statements of functional expenses.

Change in Accounting Policy - On August 18, 2016, the FASB issued ASU No. 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 guidance in this Update is effective for the Organization's year ended December 31, 2018. Management adopted the Update effective January 1, 2018. Adoption of the Update did not result in any reclassification or restatements to net assets or changes in net assets. The Update has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A - Summary of Significant Accounting Policies - continued

Recently Issued Accounting Standards - In May 2014, the Financial Accounting Standards Board (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. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Organization's year ending December 31, 2019. The Organization is currently evaluating the impact of the provisions of ASC 606.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a transaction is conditional. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. 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.

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.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, the Organization paid \$130,931 and \$121,438, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2018 and 2017, \$313,713 and \$333,066, 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 \$1,315,572 and \$1,406,135 direct marketing contributions from unrelated parties for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, expenses incurred relating to the agreement were \$526,309 and \$562,567, respectively. For each of the years ended December 31, 2018 and 2017, SOI provided grants to the Organization of \$225,000 which are recorded in contributions with donor restrictions.

NOTE D - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 4,707,024
Certificates of deposit	1,371,426
Contributions receivable	619,610
Marketable securities	<u>2,787,589</u>
Financial assets	<u>9,485,649</u>
Less: restricted contributions included in cash and cash equivalents	(630,654)
Less: restricted contributions included in contributions receivable	(178,750)
Less: restricted contributions included in marketable securities	<u>(360,890)</u>
Total	<u>\$ 8,315,355</u>

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately four months of operating expenses. In the event of an unanticipated liquidity need, the Organization also could draw upon \$500,000 of available line of credit.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE E - Marketable Securities

Marketable securities, at fair value, as of December 31, 2018 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market Fund	\$ 187,150	\$ -	\$ 187,150
Exchange Traded Funds			
Mid-cap blend	34,208	-	34,208
Small blend	54,486	-	54,486
Foreign large blend	132,220	-	132,220
Foreign small/mid blend	21,871	-	21,871
Emerging markets	135,132	-	135,132
Financial	990,668	-	990,668
International	83,605	-	83,605
Total Exchange Traded Funds	<u>1,452,190</u>	<u>-</u>	<u>1,452,190</u>
Stocks			
Basic materials	63,888	-	63,888
Consumer goods	147,667	-	147,667
Financial	87,296	-	87,296
Healthcare	97,184	-	97,184
Industrial goods	65,509	-	65,509
Services	93,704	-	93,704
Technology	105,533	-	105,533
Utilities	10,010	-	10,010
Total Stocks	<u>670,791</u>	<u>-</u>	<u>670,791</u>
Bonds			
US Treasury bonds	-	23,402	23,402
Municipal bonds	-	25,469	25,469
Corporate bonds	-	428,587	428,587
Total Bonds	<u>-</u>	<u>477,458</u>	<u>477,458</u>
Total Marketable Securities	<u>\$ 2,310,131</u>	<u>\$ 477,458</u>	<u>\$ 2,787,589</u>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE E - Marketable Securities - continued

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
Large growth	51,051	-	51,051
Mid-cap 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, 2018 AND 2017

NOTE E - Marketable Securities - continued

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 (losses) in the statements of activities:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized gains (losses)	\$ (251,286)	\$ 262,997
Interest and dividends	<u>64,852</u>	<u>58,099</u>
Total Investment Income (Losses) from Marketable Securities	<u>\$ (186,434)</u>	<u>\$ 321,096</u>

Included in investment income (losses) in the statements of activities is interest earned from certificates of deposit and interest-bearing checking and savings accounts.

NOTE F - Contributions Receivable

Contributions receivable as of December 31, 2018 and 2017, are due as follows:

	<u>2018</u>	<u>2017</u>
Due within 1 year	\$ 619,610	\$ 537,445
Due within 2 to 5 years	<u>215,180</u>	<u>50,000</u>
Total Contributions Receivable	<u>\$ 834,790</u>	<u>\$ 587,445</u>

NOTE G - 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% (6.5% effective rate at December 31, 2018). There was \$500,000 unused and available on the line of credit as of December 31, 2018. The line of credit expires on August 31, 2019.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
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FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE H - 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, 2018, 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>
2019	\$ 133,625
2020	124,674
2021	11,429
2022	<u>5,529</u>
	<u>\$ 275,257</u>

Rent expense for the years ended December 31, 2018 and 2017 was \$240,511 and \$232,608, respectively.

NOTE I - 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 \$113,915 and \$129,891 for the years ended December 31, 2018 and 2017, respectively.

NOTE J - Net Assets Without and With Donor Restrictions

The Board of Directors had designated a portion of the net assets without donor restrictions 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. The balance of Board designated net assets was \$2,576,336 at December 31, 2017. During 2018, the designation was removed by the Board of Directors in the amount of \$2,232,103.

Net assets with donor restrictions are restricted for the following purposes and periods:

	<u>2018</u>	<u>2017</u>
Transportation and related costs to non-local competition events	\$ 382,665	\$ 386,108
Unified Champion Schools	279,771	285,858
Young Athletes	7,858	7,928
PA DCED for 2019 Summer Games	<u>500,000</u>	<u>-</u>
Total	<u>\$ 1,170,294</u>	<u>\$ 679,894</u>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE K - Concentrations

At December 31, 2018, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2018, the Organization's uninsured cash balances totaled approximately \$2,800,000. These financial institutions have strong credit ratings, and management believes that credit risk related to these deposits is minimal.

NOTE L - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2019, 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, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Direct marketing contributions	\$ 1,566,260	\$ -	\$ 1,566,260
Contributions	3,358,306	799,657	4,157,963
Special events	1,686,806	-	1,686,806
Investment income (losses)	(144,250)	2,703	(141,547)
Other income	328,105	-	328,105
Net assets released from restrictions	<u>305,814</u>	<u>(305,814)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>7,101,041</u>	<u>496,546</u>	<u>7,597,587</u>
EXPENSES			
Program services:			
Games and competition	2,578,020	-	2,578,020
Sports training	217,263	-	217,263
Field services and outreach	1,680,694	-	1,680,694
Communications	<u>731,982</u>	<u>-</u>	<u>731,982</u>
Total program services	<u>5,207,959</u>	<u>-</u>	<u>5,207,959</u>
Management and general	431,194	-	431,194
Fund raising	<u>1,574,713</u>	<u>-</u>	<u>1,574,713</u>
Total Expenses	<u>7,213,866</u>	<u>-</u>	<u>7,213,866</u>
CHANGE IN NET ASSETS	(112,825)	496,546	383,721
NET ASSETS - BEGINNING OF YEAR	<u>2,980,457</u>	<u>495,339</u>	<u>3,475,796</u>
NET ASSETS - END OF YEAR	<u>\$ 2,867,632</u>	<u>\$ 991,885</u>	<u>\$ 3,859,517</u>

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

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</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			
Program services:			
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	<u>712,832</u>	<u>-</u>	<u>712,832</u>
Total program services	<u>4,632,603</u>	<u>-</u>	<u>4,632,603</u>
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>