

SPECIAL OLYMPICS PENNSYLVANIA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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".

July 11, 2017
Philadelphia, Pennsylvania

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENTS OF FINANCIAL POSITION

		DECEMBER 31,	
		2016	2015
ASSETS			
Cash and cash equivalents	\$	5,461,383	\$ 5,916,861
Certificates of deposit		1,356,771	2,061,287
Marketable securities		1,516,862	630,421
Contributions receivable		795,739	383,484
Inventory		76,559	82,951
Prepaid expenses		46,602	31,755
Office and sports equipment - net of accumulated depreciation and amortization of \$381,314 and \$332,129, respectively		123,060	162,501
TOTAL ASSETS		\$ 9,376,976	\$ 9,269,260
LIABILITIES			
Accounts payable and accrued expenses	\$	266,880	\$ 388,310
Accrued payroll		78,096	71,879
Total Liabilities		344,976	460,189
NET ASSETS			
Unrestricted			
Undesignated		5,917,705	5,916,471
Board designated for endowment		2,433,273	2,479,427
Temporarily restricted		681,022	413,173
Total Net Assets		9,032,000	8,809,071
TOTAL LIABILITIES AND NET ASSETS		\$ 9,376,976	\$ 9,269,260

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	71,557	(71,557)	-
	<u>8,556,798</u>	<u>267,849</u>	<u>8,824,647</u>
Total Revenues, Gains, and Other Support			
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	2,118,000	-	2,118,000
	<u>8,601,718</u>	<u>-</u>	<u>8,601,718</u>
Total Expenses			
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.
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	\$ 2,213,361	\$ -	\$ 2,213,361
Contributions	3,260,131	126,600	3,386,731
Special events	2,972,823	-	2,972,823
Investment income (losses)	(4,420)	830	(3,590)
Other income	179	-	179
Net assets released from restrictions	<u>187,366</u>	<u>(187,366)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,629,440</u>	<u>(59,936)</u>	<u>8,569,504</u>
EXPENSES			
Games and competition	2,789,010	-	2,789,010
Sports training	679,854	-	679,854
Field services and outreach	1,323,318	-	1,323,318
Communications	861,962	-	861,962
Management and general	584,784	-	584,784
Fund raising	<u>2,229,087</u>	<u>-</u>	<u>2,229,087</u>
Total Expenses	<u>8,468,015</u>	<u>-</u>	<u>8,468,015</u>
CHANGE IN NET ASSETS	161,425	(59,936)	101,489
NET ASSETS - BEGINNING OF YEAR	<u>8,234,473</u>	<u>473,109</u>	<u>8,707,582</u>
NET ASSETS - END OF YEAR	<u>\$ 8,395,898</u>	<u>\$ 413,173</u>	<u>\$ 8,809,071</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,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 222,929	\$ 101,489
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	66,343	65,676
Net realized and unrealized losses on marketable securities	15,007	26,121
(Increase) decrease in assets		
Contributions receivable	(412,255)	(100,714)
Inventory	6,392	(1,612)
Prepaid expenses	(14,847)	41,078
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(121,430)	79,611
Accrued payroll	6,217	14,537
Net Cash Provided by (Used in) Operating Activities	(231,644)	226,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(1,513,389)	(433,409)
Proceeds from sales of marketable securities	611,941	421,098
Redemption of certificates of deposit	1,074,117	941,598
Purchase of certificates of deposit	(369,601)	(1,203,629)
Purchase of equipment	(26,902)	(27,929)
Net Cash Used in Investing Activities	(223,834)	(302,271)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(455,478)	(76,085)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,916,861	5,992,946
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,461,383	\$ 5,916,861

The accompanying Notes are an integral part of these statements.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES						TOTAL
	GAMES AND COMPETITION	SPORTS TRAINING	FIELD SERVICES AND OUTREACH	COMMUNICATIONS	MANAGEMENT AND GENERAL	FUND RAISING	
Salary and benefits	\$ 564,009	\$ 97,102	\$ 783,951	\$ 195,631	\$ 322,877	\$ 594,996	\$ 2,558,566
Accreditation fee	91,520	8,430	19,303	-	-	-	119,253
Contracted services	87,278	10,676	90,325	14,173	21,931	137,096	361,479
Depreciation and amortization	9,690	1,446	13,639	2,546	32,053	6,302	65,676
Educational materials	-	197	70	616,371	-	-	616,638
Facilities and meals	472,588	277,919	119,289	115	11,217	198,722	1,079,850
Service charges	6,554	-	21	-	10,934	138,834	156,343
Hotels	414,285	866	63,550	430	5,052	28,816	512,999
In-kind expenses	90,339	131,245	15,522	2,275	5,560	396,576	641,517
Insurance	73,141	11,574	15,673	-	6,420	2,269	109,077
Office administration	73,049	40,604	74,322	14,242	143,275	51,149	396,641
Printed materials	95,271	1,082	19,376	6,331	4,843	49,226	176,129
Professional fees	41,217	3,614	21,397	3,101	9,190	13,009	91,528
Registration fees	17,792	-	620	50	224	500	19,186
Sports equipment and uniforms	381,447	63,454	47,054	6,003	4,464	241,703	744,125
Telemarketing	-	-	-	-	-	331,847	331,847
Travel	370,830	31,645	39,206	694	6,744	38,042	487,161
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,789,010</u>	<u>\$ 679,854</u>	<u>\$ 1,323,318</u>	<u>\$ 861,962</u>	<u>\$ 584,784</u>	<u>\$ 2,229,087</u>	<u>\$ 8,468,015</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, 2016 AND 2015

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

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015.

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

Equipment - The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$500; the fair value of donated equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Equipment acquired by capital leases 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, 2016 and 2015 were \$300,893 and \$340,506, 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, 2016 and 2015 were \$329,328 and \$301,011, respectively.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, respectively, the cost of conducting those campaigns included \$822,763 and \$948,218 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:

	2016	2015
Program - Communications	\$ 534,796	\$ 616,371
Fund raising	287,967	331,847
	\$ 822,763	\$ 948,218

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

Special Events - For the years ended December 31, 2016 and 2015, the direct costs of special events were \$865,313 and \$899,301, respectively.

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

Reclassifications - Certain amounts in the financial statements for the prior year have been reclassified to conform with the current year classifications. These reclassifications include approximately \$308,000 of additional communications expenses and \$166,000 of additional fund raising expenses that were previously netted against direct marketing contributions in 2015.

NOTE B - Tax Status

The Organization is incorporated under the Commonwealth of Pennsylvania (Commonwealth) Not-for-Profit Corporation Law and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is registered as required with the Pennsylvania Bureau of Charitable Organizations.

The tax returns of the Organization for 2013, 2014 and 2015 are subject to examination by the federal and state taxing authorities, generally for three years after they were filed.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, the Organization paid \$126,580 and \$119,253, respectively, to SOI for program support to conduct Special Olympics activities within the Commonwealth. As of December 31, 2016 and 2015, \$429,400 and \$99,739, 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 \$1,522,534 and \$1,024,684 direct marketing contributions from unrelated parties for the years ended December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, expenses incurred relating to the agreement were \$656,067 and \$473,682, respectively. For the years ended December 31, 2016 and 2015, SOI provided grants to the Organization of \$291,600 and \$126,600, respectively, which are recorded in temporarily restricted contributions.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE D - Marketable Securities

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>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE D - Marketable Securities - continued

Marketable securities, at fair value, as of December 31, 2015 consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Exchange Traded Funds			
Large blend	\$ 32,314	\$ -	\$ 32,314
Large growth	41,388	-	41,388
Small growth	18,524	-	18,524
Consumer discretionary	25,806	-	25,806
Consumer goods	12,686	-	12,686
Energy	8,809	-	8,809
Healthcare	60,652	-	60,652
Natural resources	25,555	-	25,555
Technology	28,482	-	28,482
Financial	48,538	-	48,538
International	13,364	-	13,364
Total Exchange Traded Funds	<u>316,118</u>	<u>-</u>	<u>316,118</u>
Stocks			
Basic materials	22,654	-	22,654
Consumer goods	24,910	-	24,910
Financial	46,613	-	46,613
Industrial goods	19,469	-	19,469
Services	60,309	-	60,309
Technology	109,503	-	109,503
Total Stocks	<u>283,458</u>	<u>-</u>	<u>283,458</u>
Stock Warrants	<u>30,845</u>	<u>-</u>	<u>30,845</u>
Total Marketable Securities	<u>\$ 630,421</u>	<u>\$ -</u>	<u>\$ 630,421</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, 2016 AND 2015

NOTE D - Marketable Securities - continued

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

	<u>2016</u>	<u>2015</u>
Realized gains	\$ 51,639	\$ 44,054
Unrealized losses	(66,646)	(70,175)
Interest and dividends	<u>25,568</u>	<u>22,531</u>
Total Investment Income (Losses)	<u>\$ 10,561</u>	<u>\$ (3,590)</u>

NOTE E - Contributions Receivable

Contributions receivable as of December 31, 2016 and 2015, are due as follows:

	<u>2016</u>	<u>2015</u>
Due within 1 year	\$ 695,739	\$ 383,484
Due within 2 to 5 years	<u>100,000</u>	<u>-</u>
Total Contributions Receivable	<u>\$ 795,739</u>	<u>\$ 383,484</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% (4.75% effective rate at December 31, 2016). There was \$500,000 unused and available on the line of credit as of December 31, 2016. The line of credit expires on October 7, 2017.

NOTE G - Commitments

The Organization conducts its operations from facilities that are leased under operating leases expiring in various years through 2020. At December 31, 2016, the Organization was obligated under noncancelable operating lease arrangements for facilities as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 121,941
2018	121,522
2019	124,146
2020	<u>117,145</u>
	<u>\$ 484,754</u>

Rent expense for the years ended December 31, 2016 and 2015 was \$213,487 and \$198,529, respectively.

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 \$110,269 and \$103,313 for the years ended December 31, 2016 and 2015, 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>2016</u>	<u>2015</u>
Capital projects	\$ 2,096,625	\$ 2,099,883
AI Senavitis Mission Impact Fund	256,099	257,076
Athlete Leadership Fund	<u>80,549</u>	<u>122,468</u>
Designated Unrestricted Net Assets	<u>\$ 2,433,273</u>	<u>\$ 2,479,427</u>

NOTE J - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Transportation and related costs to non-local competition events	\$ 374,671	\$ 383,574
Unified Champion Schools	294,603	20,661
Young Athletes	<u>11,748</u>	<u>8,938</u>
Total	<u>\$ 681,022</u>	<u>\$ 413,173</u>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016, 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 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.

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

	<u>2016</u>	<u>2015</u>
Board-designated quasi-endowment, January 1	\$ 2,479,427	\$ 2,562,843
Contributions	25,365	19,072
Investment income and net realized gains	65,450	63,210
Unrealized losses	(66,646)	(70,175)
Amounts appropriated for expenditure	<u>(70,323)</u>	<u>(95,523)</u>
Board-designated quasi-endowment, December 31	<u>\$ 2,433,273</u>	<u>\$ 2,479,427</u>

NOTE L - Concentrations

At December 31, 2016, the Organization had deposits with major financial institutions which exceed Federal Depository Insurance limits. As of December 31, 2016, the Organization's uninsured cash balances totaled approximately \$2,699,000. 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 July 11, 2017, 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, 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>

SPECIAL OLYMPICS PENNSYLVANIA, INC.
SCHEDULE OF ACTIVITIES - HOME OFFICE
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	\$ 2,213,361	\$ -	\$ 2,213,361
Contributions	2,067,634	126,600	2,194,234
Special events	1,525,815	-	1,525,815
Investment income	(14,775)	445	(14,330)
Other income	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>6,231,367</u>	<u>(50,698)</u>	<u>6,180,669</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
Communications	841,475	-	841,475
Management and general	390,540	-	390,540
Fund raising	<u>1,632,354</u>	<u>-</u>	<u>1,632,354</u>
Total Expenses	<u>6,427,250</u>	<u>-</u>	<u>6,427,250</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>