

SPECIAL OLYMPICS NEW YORK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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BUCKLEY GENT MACDONALD & CARY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 5, 2014

To the Board of Directors
Special Olympics New York, Inc.
Schenectady, New York 12304

We have audited the accompanying financial statements of Special Olympics New York, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditors' 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 auditors consider 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 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 2013 financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics New York, Inc. at December 31, 2013, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Special Olympics New York, Inc. 2012 financial statements, and our report dated July 31, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, except for the effect of the restatement described in Note 12, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page sixteen is presented for purposes of additional analysis and is 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the 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 accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Buckley Gent MacDonald & Cary, P.C.

Certified Public Accountants

SPECIAL OLYMPICS NEW YORK, INC.

Balance Sheet

As of December 31, 2013 with Comparative Totals for 2012

Assets	December 31,	
	2013	2012 (Restated)
Current assets		
Cash and cash equivalents	\$ 1,094,874	\$ 791,155
Accounts and pledges receivable	592,184	773,244
Prepaid expenses	113,417	215,258
Inventories	89,390	95,783
Total current assets	1,889,865	1,875,440
Investments	2,171,813	1,628,348
Property and equipment		
Office furniture and equipment	406,320	377,188
Vehicles	295,790	320,134
Program equipment	135,008	136,687
Leasehold improvements	17,639	64,762
	854,757	898,771
Less: accumulated depreciation	738,581	766,341
Net property and equipment	116,176	132,430
Other assets		
Security deposits	46,329	41,520
Total assets	4,224,183	3,677,738
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	556,036	543,390
Refundable advances	73,369	47,073
Deferred revenue	14,671	403,064
Total current liabilities	644,076	993,527
Long-term liabilities		
Accrued expenses due after one year	127,655	104,765
Total liabilities	771,731	1,098,292
Net assets		
Unrestricted net assets	3,364,701	2,515,145
Restricted net assets	87,751	64,301
Total net assets	3,452,452	2,579,446
Total liabilities and net assets	\$ 4,224,183	\$ 3,677,738

SPECIAL OLYMPICS NEW YORK, INC.

Statement of Activities

Year Ended December 31, 2013 with Comparative Totals for 2012

	2013			2012
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total	Total (Restated)
Support and revenue				
Support				
Contributions and bequests	\$ 2,615,348	\$ 25,000	\$ 2,640,348	\$ 2,729,763
Government and foundation grants	1,641,523	196,757	1,838,280	1,602,751
Fundraising activities (net of direct expenses of \$1,587,437 for 2013 and \$959,627 for 2012)	3,801,418	-	3,801,418	2,833,660
Total support	<u>8,058,289</u>	<u>221,757</u>	<u>8,280,046</u>	<u>7,166,174</u>
Revenue				
Investment income (loss)	324,054	-	324,054	181,893
Event sales, net of cost of merchandise	12,537	-	12,537	44,318
Gain (loss) on sale of fixed assets	(2,369)	-	(2,369)	700
Net revenue (loss)	<u>334,222</u>	<u>-</u>	<u>334,222</u>	<u>226,911</u>
Net assets released from restrictions	<u>198,307</u>	<u>(198,307)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,590,818</u>	<u>23,450</u>	<u>8,614,268</u>	<u>7,393,085</u>
Operating expenses				
Program services	5,878,915	-	5,878,915	6,411,971
Management and general	691,308	-	691,308	622,463
Fundraising	1,009,622	-	1,009,622	1,103,088
Total operating expenses	<u>7,579,845</u>	<u>-</u>	<u>7,579,845</u>	<u>8,137,522</u>
Payments to Special Olympics International	<u>161,417</u>	<u>-</u>	<u>161,417</u>	<u>155,382</u>
Total expenses	<u>7,741,262</u>	<u>-</u>	<u>7,741,262</u>	<u>8,292,904</u>
Increase (decrease) in net assets	849,556	23,450	873,006	(899,819)
Net assets, beginning of year (Restated)	<u>2,515,145</u>	<u>64,301</u>	<u>2,579,446</u>	<u>3,479,265</u>
Net assets, end of year	<u>\$ 3,364,701</u>	<u>\$ 87,751</u>	<u>\$ 3,452,452</u>	<u>\$ 2,579,446</u>

SPECIAL OLYMPICS NEW YORK, INC.

Statement of Cash Flows

Year Ended December 31, 2013 with Comparative Totals for 2012

	2013	2012 (Restated)
Increase (decrease) in cash		
Cash flows provided (used) by operating activities		
Increase (decrease) in net assets	\$ 873,006	\$ (899,819)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Noncash transactions:		
Depreciation and amortization	51,022	67,733
Uncollected pledges	38,505	24,747
Donated equipment	(200)	(14,825)
Realized (gain) loss on the sale of investments	(25,103)	(8,502)
Unrealized (gain) loss on investments	(239,764)	(124,016)
(Gain) loss on disposal of fixed assets	2,369	(700)
(Increase) decrease in operating assets:		
Accounts and pledges receivable	142,555	(15,109)
Prepaid expenses	101,841	(48,738)
Inventories	6,393	(27,325)
Security deposits	(4,809)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	35,537	226,235
Refundable advances	26,296	17,022
Deferred revenue	(388,393)	372,528
Net cash provided (used) by operating activities	619,255	(430,769)
Cash flows from investing activities		
Proceeds from sale of property and equipment	300	700
Purchase property and equipment	(37,238)	(29,772)
Proceeds from sale of marketable securities	427,579	217,325
Purchase marketable securities	(701,444)	(219,028)
Net change in investment in certificates of deposit	(4,733)	(2,394)
Net cash used by investing activities	(315,536)	(33,169)
Net increase (decrease) in cash and cash equivalents	303,719	(463,938)
Cash and cash equivalents, beginning of year	791,155	1,255,093
Cash and cash equivalents, end of year	\$ 1,094,874	\$ 791,155

Supplemental information

No interest or taxes on income were paid in 2013 or 2012.

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Special Olympics New York, Inc. is a nonprofit organization operated to provide year-round sports training and athletic competition in a variety of Olympic-style sports for all children and adults with intellectual disabilities giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy, and participate in a sharing of skills and friendship with their families, other athletes and the community. Through their participation in Special Olympics New York athletes gain confidence and build a positive self-image, which carries into the classroom, the home, the workplace and the community.

Regional offices and local area chapters are supervised by the State Office in the conduct of sports training programs for athletes and volunteers. These athletes then have the opportunity to advance to the State and International Special Olympic Games. The State Office provides overall program and administrative support and organizes State games, training workshops and sports camps for volunteers and Special Olympians for the entire state.

A summary of significant accounting policies follows:

(a) Basis of Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(c) Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for a acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the Organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. As of December 31, 2013 the Organization has no permanently restricted net assets.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

(d) *Allowance for Doubtful Accounts*

Management's estimate of the allowance is calculated after a review of the actual subsequent receipts of the outstanding receivables at December 31.

(e) *Support and Revenue Recognition*

The Organization's primary sources of support and revenue are various fundraising events, contributions, interest, and grants from the State of New York and various state localities.

Proceeds from fundraising events are recognized as support when the event takes place. Bequest income is recognized when the Organization is notified of its right to the legacy and the amount to be received can be reasonably determined.

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A substantial number of volunteers have donated their services to the Organization during the year. In accordance with generally accepted accounting principles these services are not reflected in the financial statements since the services provided do not require specialized skills.

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Inventories*

Inventories consist generally of merchandise for sale and medals for future competitions and are valued at the lower of cost or market. Cost is determined primarily on a first-in, first-out (FIFO) method. Uniforms and sports equipment are charged to expense upon receipt. The ending inventory on hand as of December 31 consisted of the following:

	2013	2012
Merchandise for sale	\$ 42,956	\$ 37,748
Medals and awards	46,010	54,956
Development event supplies	424	3,080
Total inventory	<u>\$ 89,390</u>	<u>\$ 95,784</u>

(g) *Cash Equivalents*

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

(h) *Investment Securities*

Investments in equity securities with readily determinable market values and investments in debt securities are measured at fair value at the balance sheet date. Investment income or loss (including realized and unrealized gains and losses) is included in the Change in Net Assets.

(i) *Property and Equipment*

Property and equipment are capitalized at cost if purchased, or at fair value if received by donation. It is the Organization's policy to capitalize those items with a cost or fair value in excess of \$500. Lesser amounts are expensed.

(j) *Comparative Financial Statements*

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

(k) *Tax Status*

The Organization is incorporated under New York State not-for-profit law and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2010, 2011, 2012 are still open to audit for both federal and state purposes. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 2: CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The Organization receives several grants and donated facilities from the New York State Office for People with Developmental Disabilities (OPWDD). Total OPWDD grants and donated facilities were approximately 13.9% and 15.8%, of total support and revenue, for 2013 and 2012, respectively. Accounts receivable as of December 31, 2013 included \$123,570 due from OPWDD.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

NOTE 3: ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable at December 31, consist of the following:

	2013	2012
Bequests and contributions	\$ 442,071	\$ 336,921
Grants	123,570	265,170
Telemarketers	47,932	52,109
Special Olympics International	33,702	79,114
Dial America	12,137	18,397
Employee advances	1,526	12,265
Investment earnings	846	587
Refunds	-	45,885
Event sponsorships and fees	-	1,513
Total	<u>661,784</u>	<u>811,961</u>
Less: allowance for doubtful accounts	69,600	38,717
Net accounts and pledges receivable	<u>\$ 592,184</u>	<u>\$ 773,244</u>

All accounts and pledges receivable are due within one year.

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 4: INVESTMENTS

Investment income consists of the following:

	2013	2012
Interest and dividends, net of investment advisory fees of \$8,172 for 2013 and \$6,876 for 2012	\$ 59,188	\$ 49,375
Realized gain (loss) on the sale of securities	25,103	8,502
Change in unrealized gain (losses) on securities held	239,764	124,016
Net investment income	<u>\$ 324,055</u>	<u>\$ 181,893</u>

NOTE 5: FAIR VALUE MEASUREMENT

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used to measure the Organization's investments at fair value. There have been no changes from prior periods in the methodologies used.

Common stocks, bonds and mutual funds : Valued at the net asset value (NAV) of shares held by the Organization at year end.

Certificate of deposits : Valued at the account balance, including accrued interest.

Foreign bonds : Valued at the face value on bond, including accrued interest.

Time share : Valued at the fair market value determined at date of donation.

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 5: FAIR VALUE MEASUREMENT (CONTINUED)

These methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different measurement.

The following table sets forth by level within the fair value hierarchy, the Organization's investment assets at fair value as of December 31, 2013 and 2012.

	Assets at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 1,179,722	\$ -	\$ -	\$ 1,179,722
Fixed income mutual funds	594,797	-	-	594,797
Corporate bonds	195,216	-	-	195,216
International equity mutual funds	174,723	-	-	174,723
Certificate of deposit	16,908	-	-	16,908
Israel bond	-	2,362	-	2,362
Timeshare	-	-	8,085	8,085
Total investments at fair value	\$ 2,161,366	\$ 2,362	\$ 8,085	\$ 2,171,813

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 857,572	\$ -	\$ -	\$ 857,572
Fixed income mutual funds	584,107	-	-	584,107
International equity mutual funds	139,077	-	-	139,077
Corporate bonds	24,970	-	-	24,970
Certificate of deposit	12,175	-	-	12,175
Israel bond	-	2,362	-	2,362
Timeshare	-	-	8,085	8,085
Total investments at fair value	\$ 1,617,901	\$ 2,362	\$ 8,085	\$ 1,628,348

There has been no change in the fair value of the Organization's Level 3 asset for the years ended December 31, 2013 and 2012.

	2013	2012
	Timeshare	Timeshare
Balance, beginning of year	\$ 8,085	\$ 8,085
Realized gains/losses	-	-
Unrealized gains/losses	-	-
Purchases, sales, issuances and settlements (net)	-	-
Balance, end of year	\$ 8,085	\$ 8,085

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 6: DEFERRED REVENUE AND REFUNDABLE ADVANCES

Deferred revenue consists of sponsorships and ticket proceeds received for tournaments and fundraising events that will occur after the end of the fiscal year. Deferred revenue received and held as of December 31, consisted of the following:

	2013	2012
Games and tournaments	\$ -	\$ 15,000
Fundraising events	14,671	388,064
Total deferred revenue	\$ 14,671	\$ 403,064

Refundable advances consist of unearned proceeds from an expense reimbursement type grant from the U.S Department of Education, via Special Olympics Inc., to support the 2013-2014 "Special Olympics Project Unify Project."

NOTE 7: OPERATING LEASES

The Organization has entered into several lease agreements for the rental of office space at various locations in the state. As of December 31, 2013, future minimum lease payments under operating leases of office space with original lease terms in excess of one year are as follows:

Year Ending December 31,	
2014	\$ 266,193
2015	273,582
2016	267,602
2017	260,769
2018	264,042
Thereafter	732,649
Total future minimum lease payments	\$ 2,064,837

The Organization leases certain office equipment. Minimum future lease payments on these equipment leases as of December 31, 2013, are as follows:

Year Ending December 31,	
2014	\$ 25,995
2015	25,995
2016	18,927
2017	15,773
Total future minimum lease payments	\$ 86,690

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 8: ALLOCATION OF JOINT COSTS

The Organization conducts a telemarketing campaign aimed at individual consumers. This campaign includes requests for contributions, but also contains educational and public relations components. The joint costs of conducting these types of activities which are not specifically attributable to particular components of the activity included a total of \$202,815 and \$201,146 for 2013 and 2012, respectively. These joint costs are allocated based upon the average program content percentage of the campaign literature. For 2013 and 2012 the Organization allocated \$74,783 and \$66,962, respectively, to fundraising expense, and \$128,032 and \$134,184, respectively, to public awareness expense.

NOTE 9: RETIREMENT PLAN

The Organization has adopted a tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code which covers all full-time employees of the Organization with two years of service. The Organization's annual contribution to the Plan is at the discretion of the Board of Directors. Employees who participate in the Plan may contribute up to the maximum allowable under the limits of IRC Section 403(b). The Organization's contribution for 2013 and 2012 was \$64,230 and \$0, respectively.

NOTE 10: SUMMARY OF RESTRICTED CONTRIBUTIONS

The 2013 activity in the temporarily restricted net assets, by source, was as follows:

Source	Unexpended December 31, 2012	2013 Additions	2013 Expenses	Unexpended December 31, 2013
Individual donations	\$ 64,301	\$ 25,000	\$ (62,418)	\$ 26,883
SOI - Healthy Communities	-	57,934	(22,066)	35,868
John R. Oishei Foundation	-	25,000	-	25,000
Suffolk County Youth Bureau	-	67,155	(67,155)	-
NYC Board of Education	-	46,668	(46,668)	-
Totals	\$ 64,301	\$ 221,757	\$ (198,307)	\$ 87,751

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 11: DONATED SERVICES, FACILITIES AND EQUIPMENT

The Organization occupies approximately 8,000 square feet of the O.D. Heck Developmental Center in Schenectady, New York under a lease agreement with the New York State Office for People with Developmental Disabilities (OPWDD). No rent is paid by the Organization. Management estimated the approximate fair value of the annual rental to be \$78,323 for both 2013 and 2012, respectively, and has included that amount in contributions and expenses for each year in the statement of activities. The lease has been renewed through February 28, 2017 with an option to renew for another five years. The landlord retained the right to terminate the lease by giving a ninety (90) day written notice of its intention to terminate.

Terms of the lease for the regional office in Long Island provides for a waiver of the right to collect rent by the landlord for three months. The fair market value amount of this donated space was \$8,307 for 2013.

Terms of the lease for the regional office in Buffalo provides for a partial waiver of the right to collect rent by the landlord on the monthly rent. The fair market value amount of this donated space was \$625 for 2013.

The Organization receives donated professional services, facilities and equipment in connection with games, tournaments, training, administration and fundraising events. Management estimated the fair market value of these donations to be \$2,007,675 and \$1,744,122 for 2013 and 2012, respectively. The Organization recognizes contribution revenue and a concurrent expense for these donations at the fair market value of the services, facilities or equipment received.

Donated services, facilities and equipment consist of the following for the years ended December 31,

	2013				2012
	Direct Program Services	Indirect Allocable Expenses	Direct Fundraising Expenses	Total	Total
Office space	\$ -	\$ 87,255	\$ -	\$ 87,255	\$ 78,323
Athletic, storage and other facilities	861,448	-	91,900	953,348	914,656
Advertising	77,070	-	493,630	570,700	196,172
Use of equipment	170,270	4,900	17,498	192,668	240,821
Professional services	185,261	50,793	10,750	246,804	203,012
Other donated goods	40,251	399	66,542	107,192	189,461
Totals	<u>\$ 1,334,300</u>	<u>\$ 143,347</u>	<u>\$ 680,320</u>	<u>\$ 2,157,967</u>	<u>\$ 1,822,445</u>

SPECIAL OLYMPICS NEW YORK, INC.

Notes to Financial Statements

December 31, 2013

NOTE 12: CORRECTION OF AN ERROR

The 2012 financial statements have been restated to correct an error in the previously issued financial statements.

Prior periods have erroneously reported the full amount of the annual "Project Unify" grants from Special Olympics, Inc. (SOI) at the time of the award. These grants contain a condition that the expenditure be incurred before any revenue is recognized. Any unexpended revenue is required to be returned to SOI. Generally accepted accounting principles (GAAP) require that revenue from these grants be recognized as the qualifying expenditure is made, not at the time of the award notification.

These statements have retroactively applied the proper GAAP treatment. As a result of these corrections, the 2012 totals have been restated to properly reflect the correction. The following table summarizes the effect to the 2012 comparative information:

	As Previously Reported	Restated Amount	Increase (Decrease)
Statement of Activities:			
Government and foundation grants	\$ 1,641,273	\$ 1,602,751	\$ (38,522)
Net assets brought forward January 1, 2012	3,544,316	3,479,265	<u>(65,051)</u>
Net change			<u><u>(103,573)</u></u>
Balance Sheet:			
Accounts and pledges receivable	829,744	773,244	(56,500)
Refundable advances	-0-	(47,073)	<u>(47,073)</u>
Net change to unrestricted net assets			<u><u>\$ (103,573)</u></u>

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2014, 2014, the date the financial statements were available to be issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

SPECIAL OLYMPICS NEW YORK, INC.

Schedule of Functional Expenses

Year Ended December 31, 2013 with Comparative Totals for 2012

	2013			Total	2012
	Program Services	Supporting Service			(Restated)
		Management and General	Fundraising		Total
Direct program expenses					
Games, tournaments and training	\$2,649,809	\$ -	\$ -	\$2,649,809	\$2,845,098
Public relations and education	311,817	-	-	311,817	307,993
Indirect expenses					
Salaries and employee benefits	1,994,599	391,675	686,344	3,072,618	3,421,817
Rent	290,510	52,840	90,752	434,102	428,027
Payroll taxes	153,853	30,372	52,173	236,398	257,114
Insurance	119,171	23,530	40,413	183,114	187,910
Bank and credit card fees	74,166	14,644	25,151	113,962	94,780
Telephone and Internet	72,423	14,300	24,560	111,283	100,244
Employee travel	49,445	1,185	30,806	81,436	77,434
Professional fees	-	80,919	-	80,919	42,610
Office supplies and expenses	34,587	6,829	11,729	53,146	52,953
Vehicle expenses	34,150	6,743	11,581	52,474	65,639
Depreciation	25,511	12,755	12,755	51,022	67,733
Uncollected pledges	-	38,505	-	38,505	24,747
Equipment rental and maintenance	17,751	3,505	6,020	27,276	51,576
Postage	15,401	3,041	5,223	23,664	28,530
Temporary services	9,614	1,898	3,260	14,772	44,509
Staff training	6,178	1,220	2,095	9,493	1,248
Cleaning service	5,822	1,150	1,974	8,946	10,255
Staff recruitment	5,149	1,017	1,746	7,912	9,500
Payroll service	4,379	865	1,485	6,729	5,868
Dues and subscriptions	2,316	457	785	3,559	9,043
Moving expenses	2,263	447	768	3,478	-
Discretionary expense	-	3,412	-	3,412	2,894
Total operating expenses	<u>\$5,878,915</u>	<u>\$ 691,308</u>	<u>\$1,009,622</u>	<u>\$7,579,846</u>	<u>\$8,137,522</u>