SPECIAL OLYMPICS NEW YORK, INC.

Financial Statements as of
December 31, 2016 and 2015
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 22, 2017

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

We have audited the accompanying financial statements of Special Olympics New York, Inc. (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on 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 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics New York, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The financial statements of Special Olympics New York, Inc. as of December 31, 2015, were audited by other auditors whose report dated June 10, 2016, expressed an unmodified opinion on those statements.

Report on Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 supplemental information in Schedule I is presented for purpose 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 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 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.

The 2015 supplemental information presented in Schedule I was subjected to the auditing procedures applied in the 2015 audit of the financial statements by other auditors, whose report on such information stated that the supplemental information was fairly stated in all material respects in relation to the 2015 financial statements as a whole.

Bonadio & Co., LLP

SPECIAL OLYMPICS NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,148,031	$ 920,530
Investments	2,537,206	2,224,341
Accounts receivable, net	501,938	904,557
Prepaid expenses	175,402	139,175
Inventories	62,157	66,145
Total current assets	4,424,734	4,254,748
PROPERTY AND EQUIPMENT, net	141,706	96,500
SECURITY DEPOSITS	46,538	46,539
Total assets	$ 4,612,978	$ 4,397,787
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 445,669	$ 541,680
Refundable advances	48,301	53,399
Deferred revenue	38,640	30,565
Total current liabilities	532,610	625,644
NON-CURRENT PORTION OF LEASE OBLIGATION	147,689	146,002
Total liabilities	680,299	771,646
UNRESTRICTED NET ASSETS	3,932,679	3,626,141
	$ 4,612,978	$ 4,397,787

The accompanying notes are an integral part of these statements.

SPECIAL OLYMPICS NEW YORK, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE:		
Contributions and bequests	$ 2,355,041	$ 3,074,634
Fundraising activities, net of direct expenses of $1,043,473 and $1,575,133	4,038,217	3,314,080
Government and foundation grants	1,890,813	1,566,996
Investment income (loss), net	179,118	(14,120)
Event sales, net of cost of merchandise	16,201	21,510
Gain on sale of property and equipment	426	-
Net assets released from restriction	-	198,521
Total support and revenue	8,479,816	8,161,621
OPERATING EXPENSES:		
Program	6,271,581	6,411,924
Management and general	670,742	647,018
Fundraising	1,053,257	934,556
Total operating expenses	7,995,580	7,993,498
PAYMENTS TO SPECIAL OLYMPICS INTERNATIONAL	177,698	167,096
Total expenses	8,173,278	8,160,594
CHANGE IN UNRESTRICTED NET ASSETS	306,538	1,027
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	161,900
Net assets released from restriction	-	(198,521)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	(36,621)
CHANGE IN NET ASSETS	306,538	(35,594)
NET ASSETS - beginning of year	3,626,141	3,661,735
NET ASSETS - end of year	$ 3,932,679	$ 3,626,141

The accompanying notes are an integral part of these statements.

SPECIAL OLYMPICS NEW YORK, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 306,538	$ (35,594)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	39,331	32,820
Bad debt	52,537	6,500
Donated stock	-	(481)
Net realized and unrealized (gain) loss on investments	(109,763)	123,095
Gain on sale of property and equipment	(426)	-
Changes in:		
Accounts receivable	350,082	(380,017)
Prepaid expenses	(36,227)	3,236
Inventories	3,989	387
Accounts payable and accrued expenses	(94,324)	(25,737)
Refundable advances	(5,098)	28,986
Deferred revenue	8,075	(9,779)
Net cash flow from operating activites	514,714	(256,584)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	2,898	-
Purchase of property and equipment	(87,009)	(15,572)
Proceeds from sale of investments	198,022	474
Purchase of investments	(401,124)	(24,430)
Net cash flow from investing activities	(287,213)	(39,528)
CHANGE IN CASH AND CASH EQUIVALENTS	227,501	(296,112)
CASH AND CASH EQUIVALENTS - beginning of year	920,530	1,216,642
CASH AND CASH EQUIVALENTS - end of year	$ 1,148,031	$ 920,530

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

The Special Olympics New York, Inc. (the Organization) is a not-for-profit corporation 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.

Regional office 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 Olympic athletes for the entire State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposit accounts and highly liquid investments with maturity dates of three months or less at the time of purchase. The Organization’s cash and cash equivalent balances may at times exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Investments

All investments in mutual funds, equities, and corporate and foreign bonds are stated at fair value. Fair value of these investments is based on quoted market prices. All realized and unrealized gains and losses are reported directly in the accompanying statement of activities.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable primarily represent amounts due from government and non-government grants, as well as contributions due to the Organization under the terms of a donors' unconditional promises to give. Accounts for which no payment have been received for several months are considered delinquent and customary collection effort are begun. After all collection efforts are exhausted, the account is written off. The Organization records an allowance for doubtful accounts in anticipation of future write-offs. Based upon historical performance and a review of outstanding receivables, management has recorded an allowance for doubtful accounts of $56,120 and $54,800 at December 31, 2016 and 2015, respectively.

Inventories

Inventories consist generally of merchandise for sale and medals for future competitions and are stated at lower of cost or market using a first-in, first-out basis.

Property and Equipment

Property and equipment is stated at cost if purchased, or at fair value if received by donation, net of accumulated depreciation. All assets with a cost or fair value in excess of $500 and with an estimated useful life beyond one year are capitalized. Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method with lives ranging from 3 - 10 years.

Refundable Advances and Deferred Revenue

Refundable advances consist of unspent cash advances received from Special Olympics, Inc. to be recognized as revenue when earned.

Deferred revenue consists of sponsorships and ticket proceeds received in advance. These funds will be recognized when the events are held.

Financial Reporting

The Organization reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted – This category of net assets is not restricted by donors or other outside agencies. The Board of Directors can authorize use of these assets, as it desires, to carry on the purposes of the Organization according to its by-laws.

As of December 31, 2016 and 2015, there were no temporarily or permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded as made. Contributions may be recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods

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 value 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.

Fair Value Measurement – Definition and Hierarchy

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s estimates of the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

  The Organization’s mutual funds and equities are primarily valued utilizing Level 1 inputs. Fair value is determined using the market approach using relevant market data.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The valuation may be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.

  The Organization’s corporate and foreign bonds are primarily valued utilizing Level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

  The Organization currently has no assets or liabilities that are measured using Level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
The costs of providing the Organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited.

Income Taxes
The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

3. INVESTMENTS

The Organization's investments consisted of the following at December 31:

	2016	2015
Mutual funds	$ 2,190,421	$ 1,874,807
Corporate and foreign bonds	325,555	324,159
Equities - common stock	21,230	25,375
Total	$ 2,537,206	$ 2,224,341

Net investment income for the above investments consisted of the following for the year ended December 31:

	2016	2015
Net realized and unrealized gains (losses)	$ 109,763	$ (123,095)
Interest and dividend income	79,957	119,474
Investment fees	(10,602)	(10,499)
Total	$ 179,118	$ (14,120)

4. ACCOUNTS RECEIVABLE

The Organization's accounts receivable consisted of the following at December 31:

	2016	2015
Special Olympics International	$ 201,213	$ 187,451
Grants	168,259	316,583
Bequests and contributions	164,887	433,505
Telemarketers	13,910	10,961
Dial America	4,256	5,872
Miscellaneous	4,096	3,596
Investment earnings	1,437	1,389
	558,058	959,357
Less: Allowance for doubtful accounts	(56,120)	(54,800)
	$ 501,938	$ 904,557

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2016	2015
Office furniture and equipment	$ 466,638	$ 446,730
Vehicles	309,769	277,128
Program equipment	140,499	137,070
Leasehold improvements	25,724	25,724
	942,630	886,652
Less: Accumulated depreciation	(800,924)	(790,152)
	$ 141,706	$ 96,500

Depreciation expense was $39,331 and $32,820 for the years ended December 31, 2016 and 2015, respectively.

6. RETIREMENT PLAN

The Organization has adopted a tax sheltered annuity retirement plan under 403(b) of the Internal Revenue Code which covers all full-time employees with two years of service. The employer contribution is discretionary and is approved annually by 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 contributions to the plan for the years ended December 31, 2016 and 2015 amounted to approximately $46,000 and $49,000, respectively.

7. LINE-OF-CREDIT

The Organization has a revolving $500,000 line of credit with the NBT Bank for working capital purposes, due on demand and accrues interest at the highest Wall Street Journal Prime lending rate plus .75% (4.50% at December 31, 2016). There was no outstanding balance at December 31, 2016 and 2015.

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 relationship 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 approximately $24,000 and $32,000 for 2016 and 2015, respectively. These joint costs are allocated based upon the average program content percentage of the campaign literature. For 2016 and 2015, the Organization allocated approximately $11,000 and $14,000 respectively, to fundraising expenses and $13,000 and 18,000, respectively, to public awareness expenses.

9. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2016:

Description	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Mutual funds - domestic	$ 1,432,040	$ -	$ -	$ 1,432,040
Mutual funds - fixed income	595,683	-	-	595,683
Mutual funds - foreign	162,698	-	-	162,698
Corporate and foreign bonds	-	325,555	-	325,555
Equities - common stock	21,230	-	-	21,230
	$ 2,211,651	$ 325,555	$ -	$ 2,537,206

The following are measured at fair value on a recurring basis at December 31, 2015:

Description	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Mutual funds - domestic	$ 1,138,489	$ -	$ -	$ 1,138,489
Mutual funds - fixed income	592,097	-	-	592,097
Mutual funds - foreign	144,221	-	-	144,221
Corporate and foreign bonds	-	324,159	-	324,159
Equities - common stock	25,375	-	-	25,375
	$ 1,900,182	$ 324,159	$ -	$ 2,224,341

There were no changes in valuation techniques in 2016 or 2015.

10. DONATED SERVICES, FACILITIES, AND EQUIPMENT

The Organization occupies approximately 7,000 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 Development Disabilities (OPWDD). No rent is paid by the Organization. Management estimated the approximate fair value of the annual rent to be $78,000 for 2016 and 2015, and included this amount in donated goods and services reported under contributions and expenses in the statement of activities for the year then ended. The lease expires on February 28, 2017 and will then continue on a month-to-month basis. The landlord retains the right to terminate the lease by giving a ninety-day written notice of its intention to terminate.

The Organization also received 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 $2,026,233 and $2,430,815 for 2016 and 2015, respectively. The Organization records donated services as contribution revenue (within fundraising activities) and a concurrent expense at the fair market value upon receipt.

Donated services, facilities and equipment consist of the following at December 31:

	2016				2015
	Direct Program Services	Indirect Expenses	Direct Fundraising Expenses	Total	Total
Athletic, storage and other facilities	$ 986,164	$ -	$ 151,544	$ 1,137,708	$ 947,947
Professional services	225,799	2,400	31,200	259,399	271,622
Advertising	-	-	226,650	226,650	614,400
Use of equipment	169,125	4,900	23,200	197,225	432,509
Other donated goods	51,385	-	75,545	126,930	86,014
Office space	-	78,323	-	78,323	78,323
	$ 1,432,473	$ 85,623	$ 508,139	$ 2,026,235	$ 2,430,815

11. COMMITMENTS AND CONTINGENCIES

The Organization has entered into several lease agreements for the rental of office space at various locations in New York State. The future minimum lease payments are as follows:

2017	$ 308,097
2018	305,292
2019	216,579
2020	212,627
2021	213,856
Thereafter	109,588
	$ 1,366,039

11. COMMITMENTS AND CONTINGENCIES (Continued)

The Organization also has lease commitments for certain office equipment through June 30, 2020. The future minimum payments are as follows:

2017	$	29,469
2018		22,402
2019		22,402
2020		7,467
	$	81,740

Total lease expense for the years ended December 31, 2016 and 2015 was $446,255 and $448,629, respectively, which includes approximately $80,000 of donated office space in both years.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 22, 2017, which is the date the financial statements were available to be issued.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

	2016				2015
		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total
Direct expenses:					
Games, tournaments, and training	$ 2,884,661	$ -	$ -	$ 2,884,661	$ 2,996,078
Public relations and education	285,888	-	-	285,888	206,105
Total direct expenses	3,170,549	-	-	3,170,549	3,202,183
Indirect expenses:					
Salaries and employee benefits	2,107,333	392,353	713,691	3,213,377	3,184,651
Rent	292,654	54,488	99,113	446,255	448,629
Payroll taxes	155,865	29,020	52,787	237,672	257,699
Insurance	128,311	23,890	43,455	195,656	197,507
Telephone and internet	80,484	14,985	27,258	122,727	116,384
Bank and credit card fees	77,163	14,367	26,133	117,663	118,615
Employee travel	72,505	13,499	24,555	110,559	106,801
Vehicle expenses	37,358	6,955	12,652	56,965	72,039
Bad debt	-	52,537	-	52,537	6,500
Office supplies and expenses	30,179	5,619	10,221	46,019	57,679
Temporary services	28,906	5,382	9,790	44,078	47,732
Depreciation	19,773	9,832	9,726	39,331	32,820
Professional fees	-	31,971	-	31,971	31,508
Equipment rental and maintenance	19,951	3,715	6,757	30,423	27,621
Postage	16,712	3,112	5,660	25,484	25,518
Staff recruitment	9,521	1,773	3,224	14,518	17,294
Payroll services	8,613	1,604	2,917	13,133	7,929
Staff training	6,635	1,235	2,247	10,117	15,711
Cleaning service	6,447	1,200	2,183	9,830	9,020
Dues and subscriptions	2,622	488	888	3,998	5,845
Discretionary expense	-	2,718	-	2,718	3,813
Total indirect expenses	3,101,032	670,742	1,053,257	4,825,031	4,791,315
	$ 6,271,581	$ 670,742	$ 1,053,257	$ 7,995,580	$ 7,993,498

The accompanying notes are an integral part of this schedule.