SPECIAL OLYMPICS NEW YORK, INC.

Financial Statements as of
December 31, 2017 and 2016
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

May 22, 2018

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows 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 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 audits. We conducted our audits 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.

(Continued)

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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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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.

Bonadio & Co., LLP

SPECIAL OLYMPICS NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,228,653	$ 1,148,031
Investments	2,867,435	2,537,206
Accounts receivable, net	511,427	501,938
Prepaid expenses	147,017	175,402
Inventories	44,069	62,157
Total current assets	4,798,601	4,424,734
PROPERTY AND EQUIPMENT, net	120,625	141,706
SECURITY DEPOSITS	44,438	46,538
Total assets	$ 4,963,664	$ 4,612,978
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 402,561	$ 445,669
Refundable advances	56,128	48,301
Deferred revenue	42,046	38,640
Total current liabilities	500,735	532,610
NON-CURRENT PORTION OF LEASE OBLIGATION	142,171	147,689
Total liabilities	642,906	680,299
UNRESTRICTED NET ASSETS	4,320,758	3,932,679
	$ 4,963,664	$ 4,612,978

The accompanying notes are an integral part of these statements.

SPECIAL OLYMPICS NEW YORK, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
SUPPORT AND REVENUE:		
Contributions and bequests	$ 2,205,736	$ 2,355,041
Fundraising activities, net of direct expenses of $969,267 and $1,043,473	4,142,174	3,980,010
Government and foundation grants	1,987,863	1,890,813
Investment income, net	348,493	179,118
Event sales, net of cost of merchandise	57,686	74,408
Gain on sale of property and equipment	542	426
Total support and revenue	8,742,494	8,479,816
OPERATING EXPENSES:		
Program	6,399,108	6,271,581
Management and general	672,757	670,742
Fundraising	1,119,255	1,053,257
Total operating expenses	8,191,120	7,995,580
PAYMENTS TO SPECIAL OLYMPICS INTERNATIONAL	163,295	177,698
Total expenses	8,354,415	8,173,278
CHANGE IN NET ASSETS	388,079	306,538
NET ASSETS - beginning of year	3,932,679	3,626,141
NET ASSETS - end of year	$ 4,320,758	$ 3,932,679

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, 2017 AND 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 388,079	$ 306,538
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	40,163	39,331
Bad debt	5,855	52,537
Non-cash contribution	(64,219)	-
Net unrealized gain on investments	(237,148)	(109,763)
Gain on sale of property and equipment	(542)	(426)
Changes in:		
Accounts receivable	(15,344)	350,082
Prepaid expenses	28,385	(36,227)
Inventories	18,088	3,989
Security deposits	2,100	-
Accounts payable and accrued expenses	(48,626)	(94,324)
Refundable advances	7,827	(5,098)
Deferred revenue	3,406	8,075
Net cash flow from operating activites	128,024	514,714
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	9,300	2,898
Purchase of property and equipment	(27,840)	(87,009)
Proceeds from sale of investments	78,218	198,022
Purchase of investments	(107,080)	(401,124)
Net cash flow from investing activities	(47,402)	(287,213)
CHANGE IN CASH AND CASH EQUIVALENTS	80,622	227,501
CASH AND CASH EQUIVALENTS - beginning of year	1,148,031	920,530
CASH AND CASH EQUIVALENTS - end of year	$ 1,228,653	$ 1,148,031

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 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 $55,875 and $56,120 at December 31, 2017 and 2016, respectively.

Inventories

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

In years prior to 2017, the Organization stated inventory at the lower of cost or market. The change was made prospectively as of January 1, 2017 in accordance with adoption of the FASB standard ASU 2015-11 *Simplifying the Measurement of Inventory*. The adoption of this ASU had no impact on the 2017 statements of financial position and statements of activities.

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, 2017 and 2016, 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.

Reclassification
Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation.

3. INVESTMENTS

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

	2017	2016
Mutual funds	$ 2,428,815	$ 2,190,421
Corporate and foreign bonds	348,794	325,555
Equities - common stock	89,826	21,230
Total	$ 2,867,435	$ 2,537,206

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

	2017	2016
Net realized and unrealized gains	$ 237,148	$ 109,763
Interest and dividend income	122,898	79,957
Investment fees	(11,553)	(10,602)
Total	$ 348,493	$ 179,118

4. ACCOUNTS RECEIVABLE

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

	2017	2016
Grants	$ 319,080	$ 168,259
Bequests and contributions	136,207	164,887
Special Olympics International	103,153	201,213
Telemarketers	8,483	13,910
Miscellaneous	276	4,096
Dial America	103	4,256
Investment earnings	-	1,437
	567,302	558,058
Less: Allowance for doubtful accounts	(55,875)	(56,120)
	$ 511,427	$ 501,938

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2017	2016
Office furniture and equipment	$ 480,871	$ 466,638
Vehicles	310,269	309,769
Program equipment	141,499	140,499
Leasehold improvements	25,724	25,724
	958,363	942,630
Less: Accumulated depreciation	(837,738)	(800,924)
	$ 120,625	$ 141,706

Depreciation expense was $40,163 and $39,331 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 amounted to approximately $69,900 and $46,000, respectively.

7. LINE-OF-CREDIT

The Organization has a revolving $500,000 line of credit with a bank for working capital purposes, due on demand and accrues interest at the highest Wall Street Journal Prime lending rate, plus .75% (5.25% at December 31, 2017). There was no outstanding balance at December 31, 2017 and 2016.

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 $21,000 and $24,000 for 2017 and 2016, respectively. These joint costs are allocated based upon the average program content percentage of the campaign literature. For 2017 and 2016, the Organization allocated approximately $10,000 and $11,000 respectively, to fundraising expenses and $11,000 and $13,000, respectively, to public awareness expenses.

9. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2017:

Description	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Mutual funds - domestic	$ 1,629,594	$ -	$ -	$ 1,629,594
Mutual funds - fixed income	598,617	-	-	598,617
Mutual funds - foreign	200,604	-	-	200,604
Corporate and foreign bonds	-	348,794	-	348,794
Equities - common stock	89,826	-	-	89,826
	$ 2,518,641	$ 348,794	$ -	$ 2,867,435

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

There were no changes in valuation techniques in 2017 or 2016.

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 approximately $78,000 for 2017 and 2016, 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 May 31, 2022. 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 $1,867,387 and $2,026,235 for 2017 and 2016, 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:

	2017				2016
	Direct Program Services	Indirect Expenses	Direct Fundraising Expenses	Total	Total
Athletic, storage and other facilities	$ 1,083,036	$ -	$ 87,289	$ 1,170,325	$ 1,137,708
Professional services	95,482	908	19,200	115,590	259,399
Advertising	-	-	170,790	170,790	226,650
Use of equipment	163,885	4,900	30,736	199,521	197,225
Other donated goods	77,203	-	55,635	132,838	126,930
Office space	-	78,323	-	78,323	78,323
	$ 1,419,606	$ 84,131	$ 363,650	$ 1,867,387	$ 2,026,235

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:

2018	$ 281,563
2019	187,174
2020	169,049
2021	167,400
2022	83,700
	$ 888,886

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:

2018	$	22,402
2019		22,402
2020		7,467
	$	52,271

Total lease expense for the years ended December 31, 2017 and 2016 was $458,651 and $446,255, respectively, which includes approximately $80,000 of donated office space in both years.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 22, 2018, which is the date the financial statements were available to be issued.

SPECIAL OLYMPICS NEW YORK, INC. Schedule I

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017				2016
		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total
Direct expenses:					
Games, tournaments, and training	$ 2,956,578	$ -	$ -	$ 2,956,578	$ 2,884,661
Public relations and education	291,727	-	-	291,727	285,888
Total direct expenses	3,248,305	-	-	3,248,305	3,170,549
Indirect expenses:					
Salaries and employee benefits	2,135,152	430,951	756,573	3,322,676	3,213,377
Rent	294,729	59,487	104,435	458,651	446,255
Payroll taxes	158,780	32,048	56,262	247,090	237,672
Insurance	123,351	24,897	43,708	191,956	195,656
Telephone and internet	71,890	14,510	25,474	111,874	122,727
Bank and credit card fees	70,609	14,251	25,020	109,880	117,663
Employee travel	67,457	13,615	23,903	104,975	110,559
Temporary services	49,170	9,924	17,423	76,518	44,078
Office supplies and expenses	42,917	8,662	15,207	66,786	46,019
Vehicle expenses	26,945	5,438	9,548	41,931	56,965
Depreciation	20,178	10,041	9,944	40,163	39,331
Staff recruitment	24,461	4,937	8,668	38,066	14,518
Equipment rental and maintenance	19,585	3,953	6,940	30,478	30,423
Postage	19,560	3,948	6,931	30,439	25,484
Professional fees	-	20,736	-	20,736	31,971
Payroll services	8,729	1,762	3,093	13,584	13,133
Staff training	7,029	1,419	2,491	10,938	10,117
Cleaning service	6,432	1,298	2,279	10,010	9,830
Dues and subscriptions	3,829	773	1,357	5,958	3,998
Bad debt	-	5,855	-	5,855	52,537
Discretionary expense	-	4,251	-	4,251	2,718
Total indirect expenses	3,150,803	672,757	1,119,255	4,942,815	4,825,031
	$ 6,399,108	$ 672,757	$ 1,119,255	$ 8,191,120	$ 7,995,580

The accompanying notes are an integral part of this schedule.