

Special Olympics, Inc. and Affiliates

Combined Financial Statements and Supplemental
Combining Schedules as of and for the Years Ended
December 31, 2016 and 2015, and Independent Auditor's
Reports

SPECIAL OLYMPICS, INC. AND AFFILIATES

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Special Olympics, Inc.
Washington, D.C.

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Special Olympics, Inc. and its affiliates (SOI), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics, Inc. and its affiliates as of December 31, 2016 and 2015, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as of and for the years ended December 31, 2016 and 2015, as a whole. The accompanying supplementary combining schedules on pages 22 to 27 are presented for purposes of additional analysis of the combined financial statements, rather than to present the financial position and changes in net assets of the individual organizations, and are not a required part of the combined 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 combined financial statements. The accompanying supplementary combining schedules for the years ended December 31, 2016 and 2015, have been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 as of and for the years ended December 31, 2016 and 2015, is fairly stated in all material respects in relation to the combined financial statements as a whole.

RSM US LLP

Washington, D.C.
May 1, 2017

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,102,257	\$ 9,607,925
Contributions receivable	3,733,282	2,703,383
Program and other receivables—net	4,455,074	4,062,937
Prepaid expenses	1,443,965	1,296,876
Other assets	378,811	383,778
Total current assets	28,113,389	18,054,899
NONCURRENT ASSETS:		
Permanently restricted cash	198,584	198,584
Other investments	2,268,256	2,297,277
Economic beneficial interest in Trust	46,887,043	49,132,235
Long-term contributions receivable—net	926,000	378,000
Fixed assets—net	1,387,013	1,297,209
Other assets	671,989	459,566
Total noncurrent assets	52,338,885	53,762,871
TOTAL	\$ 80,452,274	\$ 71,817,770
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 7,077,831	\$ 7,487,139
Grants and awards payable to affiliates	5,217,887	2,832,096
Deferred revenue and refundable advances	6,162,649	468,994
Deferred rent	100,819	63,664
Total current liabilities	18,559,186	10,851,893
NONCURRENT LIABILITIES:		
Long-term deferred rent	558,727	659,546
Total liabilities	19,117,913	11,511,439
NET ASSETS:		
Unrestricted:		
Undesignated	846,073	(557,150)
Designated	49,598,086	49,132,235
Total unrestricted net assets	50,444,159	48,575,085
Temporarily restricted	10,691,618	11,532,662
Permanently restricted	198,584	198,584
Total net assets	61,334,361	60,306,331
TOTAL	\$ 80,452,274	\$ 71,817,770

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Direct mail contributions	\$ 44,497,922	\$ -	\$ -	\$ 44,497,922
Individual and corporate contributions and sponsorships	37,979,448	8,136,207	-	46,115,655
Federal grants	11,488,218	-	-	11,488,218
Nonfederal grants	692,827	-	-	692,827
Accreditation fees	3,718,492	-	-	3,718,492
Royalty income	517,210	-	-	517,210
Appreciation in Trust assets—net (Note 6)	2,650,515	-	-	2,650,515
Other investment income—net (Note 6)	244,409	-	-	244,409
Other income	<u>1,004,285</u>	<u>-</u>	<u>-</u>	<u>1,004,285</u>
Total revenues, gains and other support	102,793,326	8,136,207	-	110,929,533
NET ASSETS RELEASED FROM RESTRICTIONS (Note 8):				
Satisfaction of program restrictions	7,557,456	(7,557,456)	-	-
Expiration of time restrictions	<u>1,419,795</u>	<u>(1,419,795)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support and net assets released from restrictions	<u>111,770,577</u>	<u>(841,044)</u>	<u>-</u>	<u>110,929,533</u>
EXPENSES:				
Program assistance	70,189,303	-	-	70,189,303
Public education and communications	20,174,838	-	-	20,174,838
Sports training and competitions	1,833,323	-	-	1,833,323
Fundraising	14,232,396	-	-	14,232,396
Management and general	<u>3,471,643</u>	<u>-</u>	<u>-</u>	<u>3,471,643</u>
Total expenses	<u>109,901,503</u>	<u>-</u>	<u>-</u>	<u>109,901,503</u>
CHANGES IN NET ASSETS	1,869,074	(841,044)	-	1,028,030
NET ASSETS—Beginning of year	<u>48,575,085</u>	<u>11,532,662</u>	<u>198,584</u>	<u>60,306,331</u>
NET ASSETS—End of year	<u>\$ 50,444,159</u>	<u>\$ 10,691,618</u>	<u>\$ 198,584</u>	<u>\$ 61,334,361</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Direct mail contributions	\$ 41,501,734	\$ -	\$ -	\$ 41,501,734
Individual and corporate contributions and sponsorships	52,713,646	6,796,337	-	59,509,983
Federal grants	10,489,628	-	-	10,489,628
Nonfederal grants	378,335	-	-	378,335
Accreditation fees	3,519,154	-	-	3,519,154
Royalty income	503,492	-	-	503,492
Appreciation in Trust assets—net (Note 6)	(1,129,998)	-	-	(1,129,998)
Other investment income—net (Note 6)	(38,166)	-	-	(38,166)
Other income	<u>1,890,258</u>	<u>-</u>	<u>-</u>	<u>1,890,258</u>
Total revenues, gains and other support	109,828,083	6,796,337	-	116,624,420
NET ASSETS RELEASED FROM RESTRICTIONS (Note 8):				
Satisfaction of program restrictions	10,328,849	(10,328,849)	-	-
Expiration of time restrictions	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support and net assets released from restrictions	<u>120,256,932</u>	<u>(3,632,512)</u>	<u>-</u>	<u>116,624,420</u>
EXPENSES:				
Program assistance	84,236,930	-	-	84,236,930
Public education and communications	18,828,889	-	-	18,828,889
Sports training and competitions	2,919,663	-	-	2,919,663
Fundraising	14,612,234	-	-	14,612,234
Management and general	<u>4,610,357</u>	<u>-</u>	<u>-</u>	<u>4,610,357</u>
Total expenses	<u>125,208,073</u>	<u>-</u>	<u>-</u>	<u>125,208,073</u>
CHANGES IN NET ASSETS	(4,951,141)	(3,632,512)	-	(8,583,653)
NET ASSETS—Beginning of year	<u>53,526,226</u>	<u>15,165,174</u>	<u>198,584</u>	<u>68,889,984</u>
NET ASSETS—End of year	<u>\$ 48,575,085</u>	<u>\$ 11,532,662</u>	<u>\$ 198,584</u>	<u>\$ 60,306,331</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Assistance	Public Education and Communications	Sports Training and Competitions	Fundraising	Management and General	Total
SALARIES	\$ 11,964,054	\$ 2,146,883	\$ 964,322	\$ 2,108,810	\$ 1,732,085	\$ 18,916,154
BENEFITS	<u>1,279,885</u>	<u>349,306</u>	<u>98,213</u>	<u>310,761</u>	<u>(30,516)</u>	<u>2,007,649</u>
Total salaries and benefits	<u>13,243,939</u>	<u>2,496,189</u>	<u>1,062,535</u>	<u>2,419,571</u>	<u>1,701,569</u>	<u>20,923,803</u>
CONSULTING AND OTHER	7,903,535	2,074,724	84,180	3,309,130	370,475	13,742,044
SUPPLIES	12,294,284	51,946	1,962	17,439	50,753	12,416,384
COMMUNICATION	254,385	37,506	13,616	37,962	8,361	351,830
POSTAGE AND SHIPPING	356,776	5,403,183	494	7,143,745	17,570	12,921,768
RENT (Note 13)	1,041,545	181,732	91,853	166,589	159,520	1,641,239
EQUIPMENT RENT AND REPAIR	216,560	12,009	2,545	1,788	8,464	241,366
TRAVEL, MEETINGS AND CONFERENCES	4,709,602	341,453	139,921	255,106	185,972	5,632,054
PRINTING	213,103	2,059,735	675	5,480	1,097	2,280,090
PROFESSIONAL DEVELOPMENT	130,929	75,913	4,483	21,415	57,352	290,092
DATA PROCESSING	665,715	759,297	-	664,777	36,001	2,125,790
DEPRECIATION AND AMORTIZATION	505,640	-	-	-	88,996	594,636
MISCELLANEOUS	<u>445,157</u>	<u>190,605</u>	<u>158</u>	<u>189,394</u>	<u>785,513</u>	<u>1,610,827</u>
Subtotal	<u>28,737,231</u>	<u>11,188,103</u>	<u>339,887</u>	<u>11,812,825</u>	<u>1,770,074</u>	<u>53,848,120</u>
AWARDS AND GRANTS	<u>28,208,133</u>	<u>6,490,546</u>	<u>430,901</u>	<u>-</u>	<u>-</u>	<u>35,129,580</u>
TOTAL EXPENSES	<u>\$ 70,189,303</u>	<u>\$ 20,174,838</u>	<u>\$ 1,833,323</u>	<u>\$ 14,232,396</u>	<u>\$ 3,471,643</u>	<u>\$ 109,901,503</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Assistance	Public Education and Communications	Sports Training and Competitions	Fundraising	Management and General	Total
SALARIES	\$ 11,213,197	\$ 1,978,058	\$ 1,101,866	\$ 2,090,904	\$ 2,557,182	\$ 18,941,207
BENEFITS	<u>1,219,076</u>	<u>417,615</u>	<u>173,666</u>	<u>323,721</u>	<u>314,485</u>	<u>2,448,563</u>
Total salaries and benefits	<u>12,432,273</u>	<u>2,395,673</u>	<u>1,275,532</u>	<u>2,414,625</u>	<u>2,871,667</u>	<u>21,389,770</u>
CONSULTING AND OTHER	11,883,754	1,722,517	410,379	1,926,709	387,929	16,331,288
SUPPLIES	24,982,700	23,881	32,375	11,045	19,379	25,069,380
COMMUNICATION	282,749	36,506	45,162	24,132	16,508	405,057
POSTAGE AND SHIPPING	379,103	4,698,165	10,375	5,763,807	22,551	10,874,001
RENT (Note 13)	1,115,697	193,676	55,548	157,199	175,694	1,697,814
EQUIPMENT RENT AND REPAIR	282,598	12,506	1,457	9,449	190,375	496,385
TRAVEL, MEETINGS AND CONFERENCES	5,204,155	451,738	407,370	400,231	236,202	6,699,696
PRINTING	192,795	2,397,052	52,549	2,868,956	5,507	5,516,859
PROFESSIONAL DEVELOPMENT	50,329	57,347	3,365	17,414	15,913	144,368
DATA PROCESSING	647,872	780,369	37,151	865,974	179,281	2,510,647
DEPRECIATION AND AMORTIZATION	415,840	-	-	-	72,858	488,698
MISCELLANEOUS	<u>353,218</u>	<u>118,792</u>	<u>1,968</u>	<u>152,693</u>	<u>416,493</u>	<u>1,043,164</u>
Subtotal	45,790,810	10,492,549	1,057,699	12,197,609	1,738,690	71,277,357
AWARDS AND GRANTS	<u>26,013,847</u>	<u>5,940,667</u>	<u>586,432</u>	-	-	<u>32,540,946</u>
TOTAL EXPENSES	<u>\$ 84,236,930</u>	<u>\$ 18,828,889</u>	<u>\$ 2,919,663</u>	<u>\$ 14,612,234</u>	<u>\$ 4,610,357</u>	<u>\$ 125,208,073</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

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

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,028,030	\$ (8,583,653)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	594,636	488,698
Bad debt expense	541,968	248,218
Loss on disposal of fixed assets	-	53,498
Net unrealized and realized (gain) loss on investments and economic beneficial interest in Trust	(2,832,730)	4,694,024
(Increase) decrease in assets:		
Contributions receivable	(1,577,899)	6,462,304
Program and other receivables	(934,105)	(322,196)
Prepaid expenses	(147,089)	(298,486)
Other assets	(207,456)	23,385
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	(409,308)	893,152
Grants and awards payable to affiliates	2,385,791	(1,817,601)
Deferred revenue and refundable advances	5,693,655	59,983
Deferred rent	(63,664)	224,247
Net cash provided by operating activities	<u>4,071,829</u>	<u>2,125,573</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(684,440)	(1,063,388)
Proceeds from sale of fixed assets	-	6,000
Purchases of investments and economic beneficial interest in Trust	(46,413,631)	(57,744,711)
Proceeds from sale of investments and economic beneficial interest in Trust	<u>51,520,574</u>	<u>57,986,864</u>
Net cash provided by (used in) investing activities	<u>4,422,503</u>	<u>(815,235)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,494,332	1,310,338
CASH AND CASH EQUIVALENTS—Beginning of year	<u>9,607,925</u>	<u>8,297,587</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 18,102,257</u>	<u>\$ 9,607,925</u>

See notes to combined financial statements.

SPECIAL OLYMPICS, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. ORGANIZATION AND PURPOSE

Special Olympics, Inc. (“SOI” or “Special Olympics”), a District of Columbia nonprofit corporation, was incorporated in 1968. The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness; demonstrate courage; experience joy; and participate in the sharing of gifts, skills and friendship with their families and other Special Olympics athletes and the community. SOI accomplishes its mission through its approximately 220 independent accredited programs worldwide, plus independent games organizing committees responsible for organizing, financing and conducting world and regional games. SOI does not have a controlling financial interest in its accredited programs or the games organizing committees, and the accompanying combined financial statements do not include the accounts of these accredited programs and games organizing committees (see Note 4).

On December 25, 1997, the Christmas Records Trust (the “Trust”) was established as a grantor trust to support the charitable mission of SOI and the Special Olympics movement through the royalty income and accumulated principal earned from the *A Very Special Christmas* albums. The Trust has four trustees, one of whom is an SOI Board member. As of December 31, 2016 and 2015, the Trust had assets of \$49,598,086 and \$49,132,235, respectively (see Note 6).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The combined financial statements of SOI are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Principles of Combination—The accompanying combined financial statements include the accounts of Special Olympics and its affiliated organizations, SO Europe Eurasia Foundation (“the Foundation”) and Special Olympics Asia Pacific, Ltd. (SOAP Ltd). The Foundation was formed on June 23, 2009, as a tax-exempt organization in the country of Ireland. SOAP Ltd is an organization incorporated under the Singapore Companies Act, Cap. 50 as a company limited by guarantee with no paid-up share capital and domiciled in Singapore. The principal activities of both are to benefit their local communities through the provision of financial assistance to support the Special Olympics mission. SOI controls the board of directors of both organizations and exerts significant influence over its activities. All intercompany accounts and transactions have been eliminated in combination.

Net Assets—SOI classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are the net assets that are neither permanently restricted, nor temporarily restricted by donor-imposed restrictions. Certain amounts have been designated by SOI for specific purposes. All contributions are considered to be available for unrestricted undesignated use, unless specifically designated by the Board of Directors or restricted by the donor or internally designated by management. Unrestricted designated contributions represent unrestricted contributions that have been designated for a specified purpose by the Board of Directors (see Note 7). Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or

after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or when the funds are used for their restricted purposes, at which time they are reported in the combined statements of activities as net assets released from restrictions (see Note 8). Permanently restricted net assets represent endowments to be held in perpetuity (see Note 8).

Individual and Corporate Contributions and Sponsorships—SOI records pledges as contributions receivable when there is an unconditional promise to give, supported by evidence of the amount, timing and nature of the contributions. SOI reports gifts of cash and other assets as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying combined statements of activities as net assets released from restrictions.

SOI reports contributions of goods and services (value in kind) as contribution revenue and program expense (program assistance, public education and communications and sports training and competitions) upon receipt. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. SOI reports contributions of goods and services as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying combined statements of activities as net assets released from restrictions. Contributed goods and services received were \$17,058,626 and \$30,641,047 for the years ended December 31, 2016 and 2015, respectively.

Donated securities and other than cash assets are recorded as contributions at their estimated fair value on the date of receipt.

SOI reports gifts of land, buildings and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations of how long those long-lived assets must be maintained, SOI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Federal Grants—Revenues from federal grants are recognized when the related expense is incurred.

Nonfederal Grants—Revenues from nonfederal grants are recognized when the related expense is incurred.

Accreditation Fees—Accredited programs (see Note 4) are assessed a fixed percentage of either their operating expenses (in the case of U.S. programs) or their adjusted gross revenues (for non-U.S. programs) as accreditation fees. These fees are recognized in the year to which the fees relate and are reported as accreditation fees in the accompanying combined statements of activities.

Royalty Income—SOI enters into licensing and sponsorship agreements with sponsors, whereby it grants the sponsor use of its name, logos and other trademarks. Where these agreements provide for a guaranteed minimum annual royalty over the term of the agreement, SOI recognizes income as earned. Cash receipts in excess of revenue recognized are deferred to future periods; revenues in excess of cash receipts are recorded as receivables. Where these agreements do not provide for a guaranteed minimum royalty, income is recognized when received.

Functional Allocation of Expenses—The costs of providing the various SOI programs and other activities have been summarized on a functional basis in the accompanying combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on reasonable methodologies.

Grants and Awards—SOI provides grants to various accredited programs for assistance in achieving SOI's mission. The full amount of grants is expensed and accrued as grants payable upon authorization of the award of the grant by management.

Cash and Cash Equivalents—For combined financial statement purposes, SOI considers cash and cash equivalents to include cash in financial institutions and liquid investments with original maturities of three months or less. Restricted cash is donor restricted for Special Olympics Endowment Fund, Inc.

Investments—Investments, including those held by the Trust, consist of readily marketable securities, are recorded at fair value, with any unrealized gain (loss) included in other investment income (loss) or net appreciation (depreciation) in Trust assets in the combined statements of activities. Equity securities traded on a national securities exchange are valued at the closing price, fixed-income securities are valued at the last bid price and the net asset values of mutual funds are based on valuations computed by the National Association of Securities Dealers (see Note 6).

Concentration of Risk—Cash and cash equivalents that potentially subject SOI to concentrations of credit risk consist principally of bank accounts and short-term investments. Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Investment accounts are insured by the Securities Investor Protection Corporation (SIPC). Investment balances are insured up to \$500,000, with a limit of \$250,000 for cash. At December 31, 2016 and 2015, SOI had cash and cash equivalents of \$13,417,209 and \$6,405,501, respectively, in excess of FDIC and SIPC insured limits. Additionally, SOI has cash and cash equivalents in the amounts of \$3,751,885 and \$2,336,817, respectively, in foreign bank accounts, some of which may be subject to withdrawal restrictions.

SOI invests in a professionally managed portfolio that primarily contains mutual funds, equity securities and fixed income securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term would materially affect investment balances and the amounts reported in the combined financial statements.

Receivables—Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for an allowance for doubtful accounts as of December 31, 2016 and 2015, was \$382,293 and \$116,863, respectively.

Contributions Receivable—Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of

individual promises. Management has determined that contributions receivable are fully collectible, and there was no allowance for doubtful contributions receivable at December 31, 2016 or 2015.

Fixed Assets—Fixed assets are stated at cost if acquired by SOI, or at fair value if donated. Useful lives range from three to five years. The cost of fixed assets, less applicable residual values, is depreciated using the straight-line method. Depreciation begins when the specific asset is ready for normal use. Amortization of leasehold improvements is computed on a straight-line basis over the lesser of the term of the related lease or the estimated useful life of the assets.

Adopted Accounting Pronouncement—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 850): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. This ASU will be effective for SOI for fiscal years beginning after December 15, 2016. Early adoption is permitted and the amendments in ASU 2015-07 should be applied retrospectively to all periods presented. SOI adopted this pronouncement during the year ended December 31, 2016.

Recent Accounting Pronouncements—In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. SOI is currently evaluating the impact the adoption of this guidance will have on its combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. SOI is currently evaluating the impact of the pending adoption of the new standard on the combined financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This ASU revises the principal vs. agent guidance originally included in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

SOI has not yet selected a transition method and is currently evaluating the effect that the standards will have on the combined financial statements.

Use of Estimates—The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status—SOI has received a favorable determination letter designating it as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Trust is a grantor trust that is a nonprofit organization and is qualified under the exemption of SOI as the Trust’s sponsor organization. The Foundation is exempt from income taxes under the laws of the Country of Ireland. SOAP Ltd. is subject to income tax under the laws of the Country of Singapore, but did not incur any tax in 2016 and 2015 due to carried-forward losses from operations.

GAAP requires management to evaluate tax positions taken by SOI and recognize a tax liability (or asset) if SOI has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by SOI and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements. Generally, SOI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2013. There are currently no audits for any tax periods in progress.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2016 and 2015, consist of unconditional promises to give as follows:

	2016	2015
Due in—less than one year	\$ 3,733,282	\$ 2,703,383
One to five years	926,000	378,000
Receivable noncurrent—net	926,000	378,000
Total contributions receivable—net	<u>\$ 4,659,282</u>	<u>\$ 3,081,383</u>

In addition, SOI has conditional promises to give of a maximum of approximately \$32.4 million. Future payments are contingent upon SOI meeting certain milestones documented in the pledge agreement. During the year ended December 31, 2016, SOI met certain conditions and recognized approximately \$3.6 million. At December 31, 2016, approximately \$28.8 million conditional promises to give had not been recorded in the combined financial statements.

4. AFFILIATED ORGANIZATIONS AND RELATED-PARTY TRANSACTIONS

Accredited Programs and Games Organizing Committees—SOI biennially accredits organizations as Special Olympics Programs (“Programs”) at state and national levels for the purpose of conducting Special Olympics activities in their respective territorial jurisdictions. SOI accredits a Program if it meets specific organizational, programmatic and legal requirements. Accredited Programs are authorized to use the Special Olympics name and logo, raise funds in the name of Special Olympics,

receive grant support and participate in conferences and international sporting events sanctioned by SOI. Currently, there are accredited Programs in 50 U.S. states, the District of Columbia, Puerto Rico, Guam, U.S. Virgin Islands and in approximately 170 countries outside of the United States.

SOI contracts with local games organizing committees to conduct various international and regional Special Olympics games.

During 2016 and 2015, SOI made awards and grants of \$35,129,580 and \$32,540,946, respectively, to accredited Programs, which are allocated to functional expenses in the accompanying combined statements of activities.

Program and Other Receivables—Amounts due from related parties and accredited Programs have been included in Program and other receivables at December 31, 2016 and 2015, as follows:

	2016		2015
Accounts receivable from SOI regional operations	\$	-	\$ 162,763
Program accreditation fees		129,933	152,550
Grants receivable		1,388,781	1,411,229
Corporate and other receivables		3,318,653	2,453,258
		<u>4,837,367</u>	<u>4,179,800</u>
Allowance for doubtful accounts		(382,293)	(116,863)
Program and other receivables—net	\$	<u>4,455,074</u>	\$ <u>4,062,937</u>

5. FIXED ASSETS

Fixed assets at December 31, 2016 and 2015, consist of the following:

	2016		2015
Furnishings	\$	575,065	\$ 575,065
Equipment		5,445,628	5,088,266
Leasehold improvements		785,167	458,089
Total fixed assets		<u>6,805,860</u>	<u>6,121,420</u>
Less accumulated depreciation		(5,418,847)	(4,824,211)
Fixed assets—net	\$	<u>1,387,013</u>	\$ <u>1,297,209</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$594,636 and \$488,698, respectively.

6. INVESTMENTS

Fair Value Measurement—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. SOI applies fair value measurements to certain assets, including SOI's investments and its economic beneficial interest in Trust.

SOI maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, which enables a reader of the combined financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of

the information used to determine fair values. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1—Quoted prices (unadjusted) in active markets for identical assets and liabilities.

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

Level 3—Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near-term and that such changes could materially affect amounts reported in the combined financial statements. Fair value standards also allow for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determined fair value using the net asset value (NAV) per share or its equivalent.

The following tables present SOI's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions as of December 31, 2016 and 2015. The fair value of these assets is based on actively quoted market prices.

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
2016				
Assets:				
Fixed income:				
Government	\$ 332,822	\$ 332,822	\$ -	\$ -
Corporate	<u>67,961</u>	<u>67,961</u>	<u>-</u>	<u>-</u>
	<u>400,783</u>	<u>400,783</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>245,603</u>	<u>245,603</u>	<u>-</u>	<u>-</u>
Equity:				
Small cap	157,100	157,100	-	-
Commodity	71,977	71,977	-	-
Emerging markets	125,699	125,699	-	-
International	301,926	301,926	-	-
Growth	183,936	183,936	-	-
Real estate	137,825	137,825	-	-
Mid cap	164,102	164,102	-	-
Large cap	<u>677,889</u>	<u>677,889</u>	<u>-</u>	<u>-</u>
	<u>1,820,454</u>	<u>1,820,454</u>	<u>-</u>	<u>-</u>
Other investment measured at net asset value or equivalent (a)	<u>46,887,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 49,353,883</u>	<u>\$ 2,466,840</u>	<u>\$ -</u>	<u>\$ -</u>

- (a) In accordance with Codification Topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

Fair Value Measurements at Reporting Date Using				
2015	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income:				
Government	\$ 298,716	\$ 298,716	\$ -	\$ -
Corporate	<u>84,622</u>	<u>84,622</u>	<u>-</u>	<u>-</u>
	<u>383,338</u>	<u>383,338</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>49,447,248</u>	<u>49,447,248</u>	<u>-</u>	<u>-</u>
Equity:				
Small cap	145,843	145,843	-	-
Commodity	63,398	63,398	-	-
Emerging markets	125,056	125,056	-	-
International	292,242	292,242	-	-
Growth	194,116	194,116	-	-
Real estate	145,906	145,906	-	-
Mid cap	244,048	244,048	-	-
Large cap	<u>586,901</u>	<u>586,901</u>	<u>-</u>	<u>-</u>
	<u>1,797,510</u>	<u>1,797,510</u>	<u>-</u>	<u>-</u>
	<u>\$ 51,628,096</u>	<u>\$ 51,628,096</u>	<u>\$ -</u>	<u>\$ -</u>

SOI has one alternative investment at December 31, 2016, which calculates the fair value using the net asset value per share or its equivalent. The fair value at December 31, 2016, equals \$46,887,043. This investment can be redeemed at the end of each calendar year. Redemption of all or a portion of the investment requires a notice submitted by September 1 that precedes the applicable redemption date. As of December 31, 2016, SOI had submitted notice for a redemption of approximately \$1,390,085. The investment seeks to invest with a long term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy.

Investments at December 31, 2016 and 2015, consist of the following:

	2016	2015
Permanently restricted cash	\$ 198,584	\$ 198,584
Other investments	2,268,256	2,297,277
Economic beneficial interest in Trust	46,887,043	49,132,235
Total investments	<u>\$ 49,353,883</u>	<u>\$ 51,628,096</u>

Investment income for the years ended December 31, 2016 and 2015, consists of the following:

	2016	2015
Interest and dividends	\$ 62,194	\$ 67,710
Net unrealized and realized gains (losses) on investments	182,215	(105,876)
Total investment income (losses)	<u>\$ 244,409</u>	<u>\$ (38,166)</u>

Net appreciation (depreciation) in Trust assets for the years ended December 31, 2016 and 2015, consists of the following:

	2016	2015
Interest and dividends	\$ -	\$ 3,451,131
Net unrealized and realized gains (losses) on investments	2,650,515	(4,581,129)
Total net appreciation (depreciation) in Trust assets	<u>\$ 2,650,515</u>	<u>\$ (1,129,998)</u>

Investment management fees were \$363,800 and \$193,419 for the years ended December 31, 2016 and 2015, respectively.

7. UNRESTRICTED DESIGNATED NET ASSETS

Unrestricted designated net assets at December 31, 2016 and 2015, consist of the following:

	2016	2015
Christmas Records Trust	\$ 49,598,086	\$ 49,132,235
Total unrestricted-designated net assets	<u>\$ 49,598,086</u>	<u>\$ 49,132,235</u>

The unrestricted designated net assets of SOI relate to the Trust. These assets were generated by royalties paid to SOI by a third party for the use of SOI's rights to certain recordings and other intangible assets related to the *A Very Special Christmas* albums. The purpose of the Trust is to fund new SOI initiatives having a direct impact on persons with intellectual disabilities. The grants from the Trust may not be used for day-to-day overhead or general operational expenses of SOI.

8. RESTRICTED NET ASSETS

Temporarily restricted net assets are available at December 31, 2016 and 2015, for the following purposes or periods:

	2016	2015
Program restrictions:		
Program assistance	\$ 3,689,032	\$ 4,592,024
Sports training and competitions	4,514,306	4,751,306
Time restricted for periods after December 31	2,488,280	2,189,332
Total temporarily restricted net assets	<u>\$ 10,691,618</u>	<u>\$ 11,532,662</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	2016	2015
Satisfaction of program restrictions:		
Program assistance	\$ 4,001,503	\$ 5,471,687
Sports training and competitions	3,555,953	4,857,162
Total satisfaction of program restrictions	<u>7,557,456</u>	<u>10,328,849</u>
Expiration of time restrictions	1,419,795	100,000
Total net assets released from restrictions	<u>\$ 8,977,251</u>	<u>\$ 10,428,849</u>

Endowment—Permanently restricted net assets of \$198,584 at both December 31, 2016 and 2015, consist of the Special Olympics Endowment Fund, Inc., which was established to generate income to finance special projects or unusual expenditures that will enhance the mission of SOI. The investment income earned on permanently restricted net assets is unrestricted.

SOI's endowment consists of amounts held in money market funds with the objective of preserving the corpus of the endowment fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—SOI interprets the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) of Washington, D.C., as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, SOI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SOI in a manner consistent with the standard of prudence prescribed by

UPMIFA. In accordance with UPMIFA, SOI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SOI and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SOI
- (7) The investment policies of SOI

Endowment net asset composition at December 31, 2016 and 2015, is as follows:

Permanently Restricted	2016	2015
Donor-restricted endowment funds	<u>\$ 198,584</u>	<u>\$ 198,584</u>

9. ALLOCATION OF JOINT COSTS

SOI conducts direct mail campaigns in the United States to raise funds; to increase public knowledge and awareness of Special Olympics, its mission and its activities; and to recruit volunteers. In 2016 and 2015, SOI conducted direct mail activities that included requests for contributions, as well as program components. The cost of conducting those activities in 2016 and 2015, was \$20,528,660 and \$21,348,161, respectively. Costs of \$10,469,616 and \$11,741,488 were charged to fundraising expenses during 2016 and 2015, respectively. Costs of \$10,059,044 and \$9,606,673 were allocated to SOI's public education program during 2016 and 2015, respectively.

10. SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific SOI programs. During 2016 and 2015, management and general expenses were \$3,471,643 and \$4,610,357 respectively.

During 2016 and 2015, fundraising expenses for marketing and development and multistate fundraising projects were \$14,232,396 and \$14,612,234, respectively, which represented 13.24% and 12.46%, respectively, of the revenue resulting from fundraising, defined as direct mail contributions, individual and corporate contributions and sponsorships, federal grants, nonfederal grants, accreditation fees and other income in the combined statements of activities. Management and general expenses represent 3.23% and 3.93% of revenues resulting from fundraising activities, respectively. Together, management and general and fundraising expenses represent approximately 16.47% and 16.39% of revenues resulting from fundraising, respectively.

11. CREDIT FACILITIES

Special Olympics has one line of credit arrangement for \$3,000,000 with a domestic bank that provides borrowings bearing interest at the prime rate, less 1%. The resulting rates were 2.75% and 2.50% at December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, Special Olympics had no borrowings against this line of credit arrangement.

12. EMPLOYEE BENEFITS

The organization participates in both 403(b) and 401(k) defined contribution retirement plans, which are available for the benefit of all full-time employees of the organization. In addition, employees may also take advantage of a tax-deferred annuity plan sponsored by SOI. In accordance with the 401(k) plan agreement, the organization makes contributions to the plan, which are determined based on a percentage of the participating employee's salary and the amount of an employee's elective contributions. SOI has a 403(b) defined contribution pension plan that covers substantially all U.S. employees. Pension expense under both plans was \$782,030 and \$650,561 for the years ended December 31, 2016 and 2015, respectively.

13. LEASE COMMITMENT

SOI entered into a sublease agreement for its Washington, D.C., headquarters commencing on November 1, 2004, that was due to expire in February 2016. On September 3, 2014, SOI exercised the option to extend the sublease agreement, commencing February 1, 2016 and expiring in January 2021. The base rent is inclusive of all charges, such as operating costs, cost-of-living increases, real estate taxes and basic janitorial services. Rent expense is recognized on a straight-line basis over the life of the lease. The difference between the rent expense and related cash payments is deferred and recognized

over the lease term. As of December 31, 2016 and 2015, deferred rent was \$659,546 and \$723,210, respectively.

Under terms of the sublease agreement, rent payments were abated from July 1, 2014 through March 31, 2015. Rent payments commenced on April 1, 2015, and are payable monthly through the end of the lease term. The future minimum lease payments under the SOI's Washington, D.C., headquarters' operating lease are as follows:

**Years Ending
December 31**

2017	\$ 1,098,745
2018	1,137,201
2019	1,177,003
2020	1,218,198
2021	<u>103,261</u>
Total	<u>\$ 4,734,408</u>

Rent expense for the Washington, D.C., headquarters and regional office space was \$1,641,239 and \$1,697,814 for the years ended December 31, 2016 and 2015, respectively.

SOI leases office space for various employees throughout the world. The majority of these leases are month to month.

14. SUBSEQUENT EVENTS

SOI has evaluated all events or transactions that occurred after December 31, 2016 through May 1, 2017, the date the combined financial statements were available to be issued. During this period, there were no material subsequent events.

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SUPPLEMENTAL COMBINING SCHEDULES

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2016

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 15,089,814	\$ 479,737	\$ 2,532,706	\$ -	\$ 18,102,257
Contributions receivable	3,733,282	-	-	-	3,733,282
Program and other receivables—net	9,248,297	14,413	71,220	(4,878,856)	4,455,074
Prepaid expenses	1,326,263	215,162	-	(97,460)	1,443,965
Other assets	<u>370,267</u>	<u>-</u>	<u>8,544</u>	<u>-</u>	<u>378,811</u>
Total current assets	<u>29,767,923</u>	<u>709,312</u>	<u>2,612,470</u>	<u>(4,976,316)</u>	<u>28,113,389</u>
NONCURRENT ASSETS:					
Permanently restricted cash	198,584	-	-	-	198,584
Other investments	2,268,256	-	-	-	2,268,256
Net assets of combined entities	273,733	-	-	(273,733)	-
Economic beneficial interest in Trust	46,887,043	-	-	-	46,887,043
Long-term contributions receivable—net	926,000	-	-	-	926,000
Fixed assets—net	1,387,013	-	-	-	1,387,013
Other assets	<u>671,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,989</u>
Total noncurrent assets	<u>52,612,618</u>	<u>-</u>	<u>-</u>	<u>(273,733)</u>	<u>52,338,885</u>
TOTAL	<u>\$ 82,380,541</u>	<u>\$ 709,312</u>	<u>\$ 2,612,470</u>	<u>\$ (5,250,049)</u>	<u>\$ 80,452,274</u>

(Continued)

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2016

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 6,462,610	\$ 504,333	\$ 110,888	\$ -	\$ 7,077,831
Due to Special Olympics, Inc.	-	191,524	2,073,748	(2,265,272)	-
Due to Christmas Records Trust	2,613,584	-	-	(2,613,584)	-
Grants and awards payable to affiliates	5,217,887	-	-	-	5,217,887
Deferred income	6,260,109	-	-	(97,460)	6,162,649
Deferred rent	<u>100,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,819</u>
Total current liabilities	<u>20,655,009</u>	<u>695,857</u>	<u>2,184,636</u>	<u>(4,976,316)</u>	<u>18,559,186</u>

NONCURRENT LIABILITIES:

Deferred rent	<u>558,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,727</u>
Total liabilities	<u>21,213,736</u>	<u>695,857</u>	<u>2,184,636</u>	<u>(4,976,316)</u>	<u>19,117,913</u>

NET ASSETS:

Unrestricted:					
Undesignated	689,040	2,932	427,834	(273,733)	846,073
Designated	<u>49,598,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,598,086</u>
Total unrestricted net assets	50,287,126	2,932	427,834	(273,733)	50,444,159
Temporarily restricted	10,681,095	10,523	-	-	10,691,618
Permanently restricted	<u>198,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,584</u>
Total net assets	<u>61,166,805</u>	<u>13,455</u>	<u>427,834</u>	<u>(273,733)</u>	<u>61,334,361</u>

TOTAL	<u>\$ 82,380,541</u>	<u>\$ 709,312</u>	<u>\$ 2,612,470</u>	<u>\$ (5,250,049)</u>	<u>\$ 80,452,274</u>
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SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2015

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 8,765,288	\$ 124,279	\$ 718,358	\$ -	\$ 9,607,925
Contributions receivable	2,703,383	-	-	-	2,703,383
Program and other receivables—net	5,954,757	62,726	-	(1,954,546)	4,062,937
Prepaid expenses	1,296,876	-	-	-	1,296,876
Other assets	<u>375,006</u>	<u>-</u>	<u>8,772</u>	<u>-</u>	<u>383,778</u>
Total current assets	<u>19,095,310</u>	<u>187,005</u>	<u>727,130</u>	<u>(1,954,546)</u>	<u>18,054,899</u>
NONCURRENT ASSETS:					
Permanently restricted cash	198,584	-	-	-	198,584
Other investments	2,297,277	-	-	-	2,297,277
Net assets of combined entities	273,733	-	-	(273,733)	-
Economic beneficial interest in Trust	49,132,235	-	-	-	49,132,235
Long-term contributions receivable—net	378,000	-	-	-	378,000
Fixed assets—net	1,295,882	-	1,327	-	1,297,209
Other assets	<u>459,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459,566</u>
Total noncurrent assets	<u>54,035,277</u>	<u>-</u>	<u>1,327</u>	<u>(273,733)</u>	<u>53,762,871</u>
TOTAL	<u>\$ 73,130,587</u>	<u>\$ 187,005</u>	<u>\$ 728,457</u>	<u>\$ (2,228,279)</u>	<u>\$ 71,817,770</u>

(Continued)

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF FINANCIAL POSITION—COMBINING SCHEDULE INFORMATION AS OF DECEMBER 31, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 7,240,090	\$ 105,849	\$ 141,200	\$ -	\$ 7,487,139
Due to Special Olympics, Inc.	-	67,248	1,887,298	(1,954,546)	-
Grants and awards payable to affiliates	2,832,096	-	-	-	2,832,096
Deferred income	468,994	-	-	-	468,994
Deferred rent	63,664	-	-	-	63,664
	<u>10,604,844</u>	<u>173,097</u>	<u>2,028,498</u>	<u>(1,954,546)</u>	<u>10,851,893</u>
Total current liabilities					

NONCURRENT LIABILITIES:

Deferred rent	659,546	-	-	-	659,546
	<u>11,264,390</u>	<u>173,097</u>	<u>2,028,498</u>	<u>(1,954,546)</u>	<u>11,511,439</u>
Total liabilities					

NET ASSETS:

Unrestricted:					
Undesignated	1,013,620	3,004	(1,300,041)	(273,733)	(557,150)
Designated	49,132,235	-	-	-	49,132,235
	<u>50,145,855</u>	<u>3,004</u>	<u>(1,300,041)</u>	<u>(273,733)</u>	<u>48,575,085</u>
Total unrestricted net assets					
Temporarily restricted	11,521,758	10,904	-	-	11,532,662
Permanently restricted	198,584	-	-	-	198,584
	<u>61,866,197</u>	<u>13,908</u>	<u>(1,300,041)</u>	<u>(273,733)</u>	<u>60,306,331</u>
Total net assets					
TOTAL	\$ <u>73,130,587</u>	\$ <u>187,005</u>	\$ <u>728,457</u>	\$ <u>(2,228,279)</u>	\$ <u>71,817,770</u>

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF ACTIVITIES—COMBINING SCHEDULE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
REVENUES, GAINS AND					
OTHER SUPPORT:					
Direct mail contributions	\$ 44,497,922	\$ -	\$ -	\$ -	\$ 44,497,922
Individual and corporate contributions and sponsorships	41,480,220	5,293	4,630,142	-	46,115,655
Federal grants	11,488,218	-	-	-	11,488,218
Nonfederal grants	-	692,827	-	-	692,827
Accreditation fees	3,718,492	-	-	-	3,718,492
Royalty income	1,359,259	-	-	(842,049)	517,210
Appreciation in Trust assets—net	2,650,515	-	-	-	2,650,515
Other investment income—net	3,297,409	-	-	(3,053,000)	244,409
Other income	<u>1,133,829</u>	<u>(488)</u>	<u>(129,056)</u>	<u>-</u>	<u>1,004,285</u>
Total revenues, gains and other support	109,625,864	697,632	4,501,086	(3,895,049)	110,929,533
EXPENSES:					
Program assistance	71,970,773	698,085	1,415,494	(3,895,049)	70,189,303
Public education and communications	20,174,838	-	-	-	20,174,838
Sports training and competitions	1,833,323	-	-	-	1,833,323
Fundraising	12,874,679	-	1,357,717	-	14,232,396
Management and general	<u>3,471,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,471,643</u>
Total expenses	<u>110,325,256</u>	<u>698,085</u>	<u>2,773,211</u>	<u>(3,895,049)</u>	<u>109,901,503</u>
CHANGES IN NET ASSETS	(699,392)	(453)	1,727,875	-	1,028,030
NET ASSETS—Beginning of year	<u>61,866,197</u>	<u>13,908</u>	<u>(1,300,041)</u>	<u>(273,733)</u>	<u>60,306,331</u>
NET ASSETS—End of year	<u>\$ 61,166,805</u>	<u>\$ 13,455</u>	<u>\$ 427,834</u>	<u>\$ (273,733)</u>	<u>\$ 61,334,361</u>

SPECIAL OLYMPICS, INC. AND AFFILIATES

STATEMENT OF ACTIVITIES—COMBINING SCHEDULE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Olympics, Inc.	SO Europe Eurasia Foundation	Special Olympics Asia Pacific, Ltd	Elimination Entries	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Direct mail contributions	\$ 41,501,734	\$ -	\$ -	\$ -	\$ 41,501,734
Individual and corporate contributions and sponsorships	58,105,212	-	1,404,771	-	59,509,983
Federal grants	10,465,128	-	24,500	-	10,489,628
Nonfederal grants	-	413,657	206,318	(241,640)	378,335
Accreditation fees	3,519,154	-	-	-	3,519,154
Royalty income	503,492	-	-	-	503,492
Appreciation in Trust assets—net	(1,129,998)	-	-	-	(1,129,998)
Other investment income—net	(38,166)	-	-	-	(38,166)
Other income	<u>1,905,414</u>	<u>(1,914)</u>	<u>(13,242)</u>	<u>-</u>	<u>1,890,258</u>
Total revenues, gains and other support	114,831,970	411,743	1,622,347	(241,640)	116,624,420
EXPENSES:					
Program assistance	82,619,824	413,711	1,445,035	(241,640)	84,236,930
Public education and communications	18,828,889	-	-	-	18,828,889
Sports training and competitions	2,919,663	-	-	-	2,919,663
Fundraising	14,612,234	-	-	-	14,612,234
Management and general	<u>4,610,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,610,357</u>
Total expenses	<u>123,590,967</u>	<u>413,711</u>	<u>1,445,035</u>	<u>(241,640)</u>	<u>125,208,073</u>
CHANGES IN NET ASSETS	(8,758,997)	(1,968)	177,312	-	(8,583,653)
NET ASSETS—Beginning of year	<u>70,625,194</u>	<u>15,876</u>	<u>(1,477,353)</u>	<u>(273,733)</u>	<u>68,889,984</u>
NET ASSETS—End of year	<u>\$ 61,866,197</u>	<u>\$ 13,908</u>	<u>\$ (1,300,041)</u>	<u>\$ (273,733)</u>	<u>\$ 60,306,331</u>