Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2016 and 2015

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

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Independent Auditor's Report

To the Board of Directors
Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

We have audited the accompanying financial statements of Special Olympics New Jersey, Inc. (A New Jersey Not-for-Profit Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics New Jersey, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of functional expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CohnReznick LLP

Roseland, New Jersey
May 15, 2017

Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

Statements of Financial Position
December 31, 2016 and 2015

Assets

	2016	2015
Current assets		
Cash and cash equivalents	$ 2,906,965	$ 2,723,004
Certificates of deposit	306,606	428,453
Pledge receivable	10,000	10,000
Grants receivable	50,000	-
Other receivables	106,198	122,082
Prepaid expenses and other current assets	450,776	447,062
Total current assets	3,830,545	3,730,601
Pledge receivable - noncurrent	30,000	30,000
Investments	3,710,236	3,423,837
Land, buildings, equipment and furniture, net	5,522,979	5,687,539
Total assets	$ 13,093,760	$ 12,871,977

Liabilities and Net Assets

	2016	2015
Current liabilities		
Accounts payable and accrued expenses	$ 354,174	$ 273,729
Deferred revenue	501,096	557,128
Total current liabilities	855,270	830,857
Total liabilities	855,270	830,857
Commitments and contingencies	-	-
Net assets		
Unrestricted	12,198,490	11,991,120
Temporarily restricted	40,000	50,000
Total net assets	12,238,490	12,041,120
Total liabilities and net assets	$ 13,093,760	$ 12,871,977

See Notes to Financial Statements.

Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted revenue and other support		
Contributions	$ 3,208,734	$ 3,369,765
Grants	423,617	414,225
Total	3,632,351	3,783,990
Special events revenue	4,382,885	4,359,068
Direct cost of special events	(1,233,300)	(1,198,759)
Net special events revenue	3,149,585	3,160,309
Contributed goods and services	1,424,528	1,398,354
Net assets released from restrictions	10,000	-
Total unrestricted revenue and other support	8,216,464	8,342,653
Expenses		
Activities and program services	7,082,380	6,671,489
Fundraising	973,034	1,001,435
General and administrative	244,111	353,076
Total expenses	8,299,525	8,026,000
Nonoperating items		
Interest and dividend income	55,101	73,914
Net unrealized gain (loss) on investments	133,636	(263,703)
Net realized gain on investments	101,694	32,233
Total nonoperating items	290,431	(157,556)
Change in unrestricted net assets	207,370	159,097
Change in temporarily restricted net assets		
Contributions	-	50,000
Net assets released from restrictions	(10,000)	-
Change in temporarily restricted net assets	(10,000)	50,000
Change in net assets	197,370	209,097
Net assets, beginning	12,041,120	11,832,023
Net assets, ending	$ 12,238,490	$ 12,041,120

See Notes to Financial Statements.

Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Increase in net assets	$ 197,370	$ 209,097
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	(235,330)	231,470
Depreciation	330,466	327,303
Changes in operating assets and liabilities		
Pledges receivable	-	(40,000)
Other receivables	(34,116)	77,839
Prepaid expenses and other current assets	(3,714)	(111,298)
Accounts payable and accrued expenses	80,445	(21,174)
Deferred revenue	(56,032)	107,736
Net cash provided by operating activities	279,089	780,973
Cash flows from investing activities		
Repayments from certificates of deposit	121,847	407,654
Proceeds from sale of investments	1,160,090	520,949
Purchases of investments	(1,211,159)	(600,061)
Purchases of property and equipment	(165,906)	(257,000)
Net cash (used in) provided by investing activities	(95,128)	71,542
Cash flows from financing activities - repayment of long-term debt	-	(186,758)
Net increase in cash and cash equivalents	183,961	665,757
Cash and cash equivalents, beginning	2,723,004	2,057,247
Cash and cash equivalents, end	$ 2,906,965	$ 2,723,004
Supplemental disclosure of cash flow data		
Interest paid	$ -	$ 5,932

See Notes to Financial Statements.

Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

Notes to Financial Statements
December 31, 2016 and 2015

Note 1 - Organization

Business

Special Olympics New Jersey, Inc. (the "Organization") is organized as a New Jersey not-for-profit charitable organization, incorporated in the State of New Jersey in 1973. The Organization is accredited by Special Olympics Incorporated to coordinate statewide programs of physical fitness, sports training and athletic competition for children and adults with intellectual disabilities. The Organization has activity areas throughout the state which raise funds to run these programs on a local level.

Note 2 - Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America.

Classification of net assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets: Net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Organization and an outside party other than a donor or grantor.

- Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Organization or by the passage of time. When donor restrictions expire, temporarily restricted net assets are recorded as net assets released from restrictions.

- Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or by law.

Revenue recognition

The Organization receives its support from grants, corporations, foundations and individuals. Revenue from grants is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Donations from foundations and individuals are recognized as revenue when the contributions are received or when a binding commitment to contribute is made. Sponsorships are recorded as revenue when the event takes place. Deferred revenue includes amounts received for events that have not yet taken place.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents
The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization places its temporary cash investments with high credit quality financial institutions.

Certificates of deposit
Certificates of deposit held for investments that are not marketable equity or debt securities are recorded at cost. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets.

Investments and investment risk
Investments in marketable securities are stated at fair value. Donated investments are recorded at fair market value at date of donation. Unrealized gains are included in the accompanying statements of activities. Related custodian fees of $34,446 and $33,993 are included in realized gains at December 31, 2016 and 2015, respectively.

The Organization invests in various securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risk in the near term could materially affect the investments and the amounts reported in the statements of financial position and the statements of activities. Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

Income taxes
The Organization qualifies as a not-for-profit organization as defined by the Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes. The Organization is also exempt from state and local income taxes.

The Organization has no unrecognized tax benefits at December 31, 2016 and 2015. The Organization's federal and state information returns prior to fiscal years 2013 and 2012, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. No such amounts have been recorded for the years ended December 31, 2016 and 2015.

Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing

a review for impairment, the Organization compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. Management believes there is no impairment of long-lived assets at December 31, 2016 and 2015.

Contributed goods and services
Donated goods and services are recorded as contributions at their estimated fair values at the date of donation. The amount of donated goods and services for the years ended December 31, 2016 and 2015 was $1,424,528 and $1,398,354, respectively.

Functional allocation of expenses
Costs are allocated between activities and program services, fundraising and general and administrative based on an evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Allocation of joint costs
During the years ended December 31, 2016 and 2015, the Organization incurred joint costs of $107,561 and $145,937, respectively, for direct marketing activities that included fundraising appeals. For the years ended December 31, 2016 and 2015, the Organization allocated $53,781 and $72,968, respectively, to activities and program services and $53,780 and $72,969, respectively, to fundraising.

Land, buildings, equipment and furniture
Purchases of land, buildings, equipment and furniture are stated at cost less accumulated depreciation. The Organization capitalizes all expenditures over $1,000. Depreciation is computed on the straight-line method using estimated useful lives of the assets, as follows:

Building and improvements	10-40 years
Equipment and furniture	3-10 years

Reclassifications
Certain numbers in the 2015 financial statements were changed to conform to the 2016 presentation.

Subsequent events
The Organization has evaluated subsequent events through May 15, 2017, which is the date the financial statements were available to be issued.

Note 3 - Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and certificates of deposit. At times during the year, the Organization's cash balances and certificates of deposit may exceed the limits of the Federal Deposit Insurance Corporation (FDIC) coverage. At December 31, 2016, the Organization's uninsured cash and cash equivalents and certificates of deposit balances totaled approximately $2,850,000. The Organization monitors its financial institutions and the concentrations of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Note 4 - Pledges and grants receivable

Pledges and grants receivable are recorded at their net realizable value. Pledges receivable consists of one pledge of $40,000 due $10,000 a year over the next four years. The entire amount is included in temporarily restricted net assets.

Note 5 - Land, buildings, equipment and furniture

Land, buildings, equipment and furniture at December 31, 2016 and 2015 consist of the following:

	2016	2015
Land	$ 700,000	$ 700,000
Buildings and improvements	7,064,079	7,024,961
Equipment, furniture and fixtures	665,481	1,015,674
	8,429,560	8,740,635
Less accumulated depreciation	2,906,581	3,053,096
Total	$ 5,522,979	$ 5,687,539

Depreciation expense for the years ended December 31, 2016 and 2015 was $330,466 and $327,303, respectively.

Note 6 - Fair value measurements

The Organization values its assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in its assessment of fair value.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2016 and 2015, there were no significant transfers in or out of Levels 1, 2 or 3.

Investments carried at fair value at December 31, 2016 and 2015 are classified in the tables below in one of the three categories described above:

	2016			
	Level 1	Level 2	Level 3	Total
Equities				
Basic materials	$ 276,223	$ -	$ -	$ 276,223
Financial	333,730	-	-	333,730
Utilities	74,596	-	-	74,596
Consumer goods	215,535	-	-	215,535
Industrial commodities	314,108	-	-	314,108
Technology	222,290	-	-	222,290
Services	302,505	-	-	302,505
Healthcare	597,526	-	-	597,526
Other	57,690	-	-	57,690
	2,394,203	-	-	2,394,203
Fixed income				
Interest bearing cash	288,072	-	-	288,072
Corporate bonds				
Baa3 Credit Rating	-	51,818	-	51,818
Baa2 Credit Rating	-	103,104	-	103,104
Baa1 Credit Rating	-	96,927	-	96,927
Aa3 Credit Rating	-	100,516	-	100,516
A1 Credit Rating	-	350,740	-	350,740
A2 Credit Rating	-	174,623	-	174,623
A3 Credit Rating	-	150,233	-	150,233
	$ 2,682,275	$ 1,027,961	$ -	$ 3,710,236

	2015			
	Level 1	Level 2	Level 3	Total
Equities				
Basic materials	$ 250,194	$ -	$ -	$ 250,194
Financial	351,052	-	-	351,052
Utilities	65,773	-	-	65,773
Consumer goods	86,187	-	-	86,187
Industrial commodities	269,378	-	-	269,378
Technology	179,808	-	-	179,808
Services	369,475	-	-	369,475
Healthcare	494,476	-	-	494,476
Other	49,470	-	-	49,470
	2,115,813	-	-	2,115,813
Fixed income				
Interest bearing cash	355,992	-	-	355,992
Corporate bonds				
Aa3 Credit Rating	-	301,440	-	301,440
A1 Credit Rating	-	273,764	-	273,764
A2 Credit Rating	-	276,510	-	276,510
A3 Credit Rating	-	100,318	-	100,318
	$ 2,471,805	$ 952,032	$ -	$ 3,423,837

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Equities and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Investments in corporate bonds are valued utilizing readily available pricing sources for comparable instruments (Level 2).

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

Note 7 - Pension plan

The Organization maintains a 403(b) defined contribution pension plan for eligible employees. An employee may begin contributions into the plan immediately at the start of employment, but is not eligible for matching employer contributions until the plan entry date following the employee's completion of six months of employment, attains the age of 21 and works a minimum of 1,000 hours per year. The Organization matches a maximum of 4% of an employee's eligible wages and contributes 3% of an employee's eligible wages to the plan, and both contributions are subject to the aforementioned eligibility requirements. An individual must be employed on December 31 to be eligible for the Organization's contribution for that plan year. The Organization's contribution will be made by June 30 of the following year. Pension plan costs for the years ended December 31, 2016 and 2015 were $135,917 and $114,897, respectively.

Note 8 - Related-party transactions

The Organization incurred computer consulting fees, which also included web-hosting fees and reimbursable expenses, totaling approximately $71,200 for the year ended December 31, 2015 with an entity whose owner was related to an officer of the Organization. That officer left the Organization during 2015. The Organization is of the opinion that the amounts paid were of a competitive nature.

The Organization maintains a mortgage, checking accounts and certificates of deposit with a financial institution whose Regional President is also a member of the Organization's Board of Directors. The Organization also has another member of the Board of Directors who is a senior executive of another financial institution where the Organization maintains checking accounts and certificates of deposit.

The Organization is required to pay chapter fees to Special Olympics International ("SOI"). The amount of fees paid to SOI was $129,912 and $113,007 for the years ended December 31, 2016 and 2015, respectively.

Note 9 - Commitments and contingencies

Leases

The Organization is obligated under various noncancelable operating leases for equipment through February 2020. Equipment operating lease commitments for each of the years subsequent to December 31, 2016 are as follows:

2017	$ 10,523
2018	7,418
2019	7,418
2020	1,236
Total	$ 26,595

Equipment expense amounted to $11,206 and $0 for the years ended December 31, 2016 and 2015, respectively.

Litigation

The Organization, from time to time, may be involved with certain legal actions arising in the ordinary course of business. Management believes that the outcome of such litigation and claims would not have a material adverse effect on the Organization's financial position and results of operations.

Supplementary Information

Special Olympics New Jersey, Inc.
(A New Jersey Not-for-Profit Organization)

Schedule of Functional Expenses
Year Ended December 31, 2016
(With Comparative Summary Information for the Year Ended December 31, 2015)

	2016								2015
	Activities and program services			Fundraising					
	In-kind donations	Organizational expenditures	Total activities and program services	In-kind fundraising donations	Fundraising	Total fundraising	General and administrative	Total	Total
Competition	$ 893,683	$ 1,320,973	$ 2,214,656	$ -	$ -	$ -	$ -	$ 2,214,656	$ 2,272,042
Salaries	-	2,037,426	2,037,426	-	502,742	502,742	105,840	2,646,008	2,367,179
Employee benefits	-	412,704	412,704	-	101,837	101,837	21,439	535,980	475,512
Payroll taxes	-	160,234	160,234	-	39,538	39,538	8,323	208,095	200,460
Training	2,853	215,776	218,629	-	4,919	4,919	3,355	226,903	283,926
Awards	-	69,387	69,387	-	89,352	89,352	-	158,739	188,083
Equipment	-	44,215	44,215	-	4,022	4,022	1,396	49,633	44,504
Insurance	-	94,740	94,740	-	7,046	7,046	1,668	103,454	91,161
Printing	-	17,193	17,193	-	11,170	11,170	-	28,363	24,323
Supplies	-	27,129	27,129	5,209	6,201	11,410	874	39,413	34,877
Chapter fees	-	129,912	129,912	-	-	-	-	129,912	113,007
Conferences and meetings	-	41,798	41,798	-	3,036	3,036	685	45,519	76,734
Occupancy	-	84,533	84,533	-	4,567	4,567	1,762	90,862	124,272
Postage and freight	-	2,975	2,975	-	559	559	65	3,599	5,425
Telephone	-	31,193	31,193	-	5,761	5,761	1,213	38,167	37,987
Repairs and maintenance	-	93,803	93,803	-	8,183	8,183	1,910	103,896	111,047
Public relations	128,565	428,903	557,468	34,676	43	34,719	-	592,187	462,422
Direct marketing	-	53,781	53,781	-	53,783	53,783	-	107,564	145,937
Professional fees	279,953	121,276	401,229	11,004	29,925	40,929	35,315	477,473	460,636
Special events and programs	-	1,573	1,573	-	21,771	21,771	-	23,344	31,075
Grants	-	2,096	2,096	-	-	-	-	2,096	4,741
Depreciation	-	299,831	299,831	-	23,248	23,248	7,387	330,466	327,303
Miscellaneous	-	17,290	17,290	-	4,442	4,442	52,879	74,611	68,752
Direct costs	68,585	-	68,585	-	-	-	-	68,585	68,663
Interest	-	-	-	-	-	-	-	-	5,932
Total functional expenses	$ 1,373,639	$ 5,708,741	$ 7,082,380	$ 50,889	$ 922,145	$ 973,034	$ 244,111	$ 8,299,525	$ 8,026,000

See Independent Auditor's Report.

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