SPECIAL OLYMPICS ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2017

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FINANCIAL STATEMENTS

Year Ended December 31, 2017

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

SPECIAL OLYMPICS ARIZONA, INC.

We have audited the accompanying financial statements of ***Special Olympics Arizona, Inc.***, which comprise the statement of financial position at December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Arizona, Inc.*** as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ***Special Olympics Arizona, Inc.'s*** 2016 financial statements, and our report dated March 22, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

March 22, 2018

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017
(with comparative totals at December 31, 2016)

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 967,658	$ 447,793
Receivables	74,001	235,031
Contributions receivable	609,469	367,835
Prepaid expenses	46,015	61,510
Other current assets	25,250	36,045
TOTAL CURRENT ASSETS	1,722,393	1,148,214
LONG-TERM CONTRIBUTIONS RECEIVABLE, net	281,507	369,498
LONG-TERM INVESTMENTS	2,242,555	2,089,468
PROPERTY AND EQUIPMENT, net	662,469	607,388
TOTAL ASSETS	$ 4,908,924	$ 4,214,568

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 3,723	$ -
Accrued expenses	29,191	76,007
TOTAL CURRENT LIABILITIES	32,914	76,007
NET ASSETS		
Unrestricted	3,985,034	3,401,228
Temporarily restricted	890,976	737,333
TOTAL NET ASSETS	4,876,010	4,138,561
TOTAL LIABILITIES AND NET ASSETS	$ 4,908,924	$ 4,214,568

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Totals 2017	Totals 2016
SUPPORT AND REVENUE				
Contributions	$ 1,510,522	$ 409,469	$ 1,919,991	$ 1,430,918
Grants	561,232	-	561,232	1,067,839
Donated materials and services	3,625,664	-	3,625,664	3,700,781
Telemarketing and direct mail	362,290	-	362,290	388,454
Merchandise sales	42,056	-	42,056	37,169
Investment income	132,670	-	132,670	82,216
Other income	11,961	-	11,961	-
Total support and revenue before special events	6,246,395	409,469	6,655,864	6,707,377
State special events	2,796,744	-	2,796,744	2,765,373
Less cost of direct donor benefits	(907,824)	-	(907,824)	(987,979)
Gross profit on state special events	1,888,920	-	1,888,920	1,777,394
Local special events	528,516	-	528,516	528,595
Less cost of direct donor benefits	(333,248)	-	(333,248)	(285,824)
Gross profit on local special events	195,268	-	195,268	242,771
Net assets released from restriction	255,826	(255,826)	-	-
TOTAL SUPPORT AND REVENUE	8,586,409	153,643	8,740,052	8,727,542
FUNCTIONAL EXPENSES				
Program services:				
State and local programs	1,592,692	-	1,592,692	1,946,248
Competition	4,436,408	-	4,436,408	4,509,798
Public education	763,227	-	763,227	757,157
Outreach and volunteers	158,450	-	158,450	156,444
Training	548,319	-	548,319	546,397
Total program services	7,499,096	-	7,499,096	7,916,044
Support services:				
Fundraising	171,193	-	171,193	173,493
General and administrative	248,990	-	248,990	206,418
Total support services	420,183	-	420,183	379,911
TOTAL FUNCTIONAL EXPENSES	7,919,279	-	7,919,279	8,295,955
CHAPTER ASSESSMENT	83,324	-	83,324	74,187
TOTAL EXPENSES	8,002,603	-	8,002,603	8,370,142
CHANGE IN NET ASSETS	583,806	153,643	737,449	357,400
NET ASSETS, BEGINNING OF YEAR	3,401,228	737,333	4,138,561	3,781,161
NET ASSETS, END OF YEAR	$ 3,985,034	$ 890,976	$ 4,876,010	$ 4,138,561

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 737,449	$ 357,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	188,773	165,600
Gain on sale of property and equipment	(323)	(9,533)
Realized/unrealized gains on investments	(78,536)	(20,403)
Change in discount on contributions receivable	(12,009)	(14,778)
Donated securities	(20,422)	-
Donated property and equipment	(39,340)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	161,030	(43,538)
Contributions receivable	(141,634)	(67,835)
Prepaid expenses	15,495	19,687
Other current assets	10,795	(32,000)
Increase (decrease) in:		
Accounts payable	3,723	-
Accrued expenses	(46,816)	11,980
Net cash provided by operating activities	778,185	366,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(230,587)	(2,198,454)
Proceeds from sale of investments	176,458	1,137,769
Proceeds from sale of property and equipment	4,500	27,200
Purchases of property and equipment	(208,691)	(247,196)
Net cash used in investing activities	(258,320)	(1,280,681)
NET CHANGE IN CASH AND CASH EQUIVALENTS	519,865	(914,101)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	447,793	1,361,894
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 967,658	$ 447,793

SPECIAL OLYMPICS ARIZONA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

(1) Nature of operations and summary of significant accounting policies

Nature of operations - ***Special Olympics Arizona, Inc.*** (the "Organization") was formed to provide year-round sports training and athletic competition to all 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, other Special Olympians and the community. The Organization is accredited by Special Olympics International ("SOI"), an international Olympic training and competition program. The Organization is the legal entity for all area and local SOI programs in Arizona. The Chapter headquarters in Phoenix, Arizona accounts for all activity for the Organization's programs. There are two levels of programs, as follows:

1. State Programs - These programs are run by full-time employees. The accounting records are under the direction of a full-time Vice President of Finance & Administration.

2. Local Programs - These programs are run by area directors, whom are also SOA employees. There are 6 of these programs located throughout Arizona.

The significant accounting policies followed by the Organization are summarized below:

Basis of presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities - Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets are restricted by donors to be maintained by the Organization in perpetuity. There were no permanently restricted net assets at December 31, 2017 and 2016.

Prior year summarized information - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Management's 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Cash deposits at commercial banks are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

(1) Nature of operations and summary of significant accounting policies (continued)

Investments - The Organization accounts for its investments in accordance with FASB ASC 958-320*, Not-for-Profit Entities – Investments - Debt and Equity Securities* and FASB ASC 958-325*, Not-for-Profit Entities – Investments - Other*. Under FASB ASC 958-320, the Organization is required to report investments in equity securities that have readily determinable fair value and all investments in debt securities, at fair value. The fair values of investments are based on quoted market prices. Under FASB ASC 958-325, the Organization has elected to carry its other investments at net asset value (“NAV”). At December 31, 2017 and 2016, investments are classified as current or long-term based on their maturities and management’s intent.

Fair value measurements - FASB ASC 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management considers receivables to be fully collectible as of December 31, 2017 and 2016 and, accordingly, an allowance for doubtful accounts is not considered necessary.

Contributions receivable - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management’s assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization’s past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable’s collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(1) Nature of operations and summary of significant accounting policies (continued)

Contributions receivable are stated at the amount management expects to collect and are discounted over the collection period using a discount rate of 3.25%. Management provides for uncollectible contributions receivable through a charge to earnings and a credit to the allowance for uncollectible contributions. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible contributions receivable and a credit to contributions receivable. At December 31, 2017 and 2016, management considers contributions receivable to be fully collectible and accordingly, an allowance for uncollectible contributions receivable is not considered necessary.

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Office furniture and equipment	3 - 7 years
Software and licenses	3 - 5 years
Vehicles	5 - 7 years

Impairment of long-lived assets - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment.* FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded in 2017 and 2016.

Contributions - The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support, where the restrictions are met in the same period the contribution is made, is shown as unrestricted support.

Telemarketing and direct mail - The Organization has telemarketing and direct mail contracts that account for a portion of the Organization's total support. Under the contracts, third party administrators are given the right to raise support on behalf of the Organization. The support raised represents individual contributions as a result of direct solicitation by either telephone or mail. Revenue under the telemarketing and direct mail contracts is recognized in accordance with contributions discussed above.

(1) Nature of operations and summary of significant accounting policies (continued)

Donated materials and services - Donated materials and services are reflected in the accompanying financial statements at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs, such as games management, coaching, training, program coordinator, area director, referees and umpires, and chaperons. Without this dedicated volunteer support, the Organization would be unable to accomplish its mission.

The Organization is dependent on donated materials and services from such diverse groups as local government parks and recreation departments, quasi-government organizations, universities, merchant and restaurant organizations and businesses. Without these donations, the Organization would be unable to carry out its mission to provide sporting competition for the developmentally disabled. The Organization received the following donated materials and services during the years ended December 31:

	2017	2016
Volunteer time	$ 3,490,511	$ 3,625,875
Facilities	269,223	295,550
Printing and media	463,716	341,303
Food and beverage	73,826	59,755
Fundraising items	34,811	78,748
Property and equipment	39,340	-
Equipment rental, uniforms, and supplies	67,372	101,547
Total donated materials and services	$ 4,438,799	$ 4,502,778

For the years ended December 31, 2017 and 2016, $813,135 and $801,997, respectively, of donated materials and services are included in special events revenue, as the donations were specifically for the special events.

Special events revenue - The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying statements of activities.

Grant revenue - Grant revenue includes cost reimbursement grants in which the grantors reimburse the allowable costs incurred. Revenues are considered earned as allowable costs are incurred. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants.

Functional expenses - The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel activity and other appropriate allocation methods. 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.

(1) Nature of operations and summary of significant accounting policies (continued)

Allocation of joint costs - The Organization follows FASB ASC 958-720, *Not-for-Profit Entities - Other Expenses*, which requires that costs of a joint activity be allocated between fundraising and the appropriate program or general and administrative function. Certain costs have been incurred by the Organization for public education in which an appeal is also made for contributions. Those activities included direct mail campaigns and telemarketing efforts. The costs of conducting those activities included total joint costs of $54,960 and $63,807 for the years ended December 31, 2017 and 2016, respectively, which are not specifically attributable to particular components of activities. These joint costs were allocated as follows:

	2017	2016
Public education	$ 26,952	$ 31,076
Fundraising	28,008	32,731
Total	$ 54,960	$ 63,807

Income tax status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. At December 31, 2017 and 2016, management does not believe the Organization has any uncertain tax positions. The Organization's policy is to classify income tax penalties and interest in general and administrative expense in the accompanying statement of activities, if any.

The Organization's federal Return of Organizations Exempt from Income Tax (Form 990) for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2017 return had not yet been filed.

Recent accounting pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* that, as amended, will supersede most current revenue recognition guidance. The core principle of the new guidance is that an entity will recognize revenue of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU No. 2014-09 for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

(1) Nature of operations and summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization estimates that if they were to adopt ASU 2016-02 for the year ended December 31, 2017, a non-current right to use asset of approximately $157,000 would be recorded and a corresponding current and non-current lease liability of $63,000 and $94,000, respectively, would be recorded in the accompanying statement of financial position. The estimate was calculated using the minimum future lease payments (see Note 7) as adjusted by a discount rate of 4.25% representing the Organization's estimated incremental borrowing rate.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Subsequent events - The Organization has evaluated subsequent events through March 22, 2018, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:	2017	2016
Mutual funds - equity	$ 1,125,012	$ 1,120,895
Mutual funds - fixed income	373,103	357,815
Cash and cash equivalents	52,892	49,348
MRA Opportunities Fund I A	360,262	354,114
Vida Longevity Fund, LP	225,989	105,680
Ceres Farms, LLC	105,297	101,616
Total investments	$ 2,242,555	$ 2,089,468

Investment income consists of:	2017	2016
Dividend and interest income	$ 54,134	$ 61,813
Realized/unrealized investment gains	78,536	20,403
Investment income	$ 132,670	$ 82,216

Expenses relating to investment income, including custodial fees and investment advisory fees, totaled $8,523 and $5,998 for the years ended December 31, 2017 and 2016, respectively, and are included in general and administrative expenses on the accompanying statements of activities.

(2) Investments (continued)

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

(3) Fair value measurements

The following table summarizes the valuation of the Organization's assets subject to measurement at fair value by the FASB ASC 820 categories, other than investments measured at NAV as a practical expedient, as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity:				
U.S. large cap	$ 244,859	$ -	$ -	$ 244,859
U.S. small/mid cap	83,683	-	-	83,683
International developed market	189,077	-	-	189,077
International emerging market	89,873	-	-	89,873
Multi-strategy	428,023	-	-	428,023
Fund of funds	89,497	-	-	89,497
Mutual fund - fixed income	373,103	-	-	373,103
Total	$ 1,498,115	$ -	$ -	$ 1,498,115

The following table summarizes the valuation of the Organization's assets subject to measurement at fair value by the FASB ASC 820 categories, other than investments measured at NAV as a practical expedient, as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds - equity:				
U.S. large cap	$ 211,052	$ -	$ -	211,052
U.S. small/mid cap	58,310	-	-	58,310
International developed market	175,654	-	-	175,654
International emerging market	83,386	-	-	83,386
Multi-strategy	489,508	-	-	489,508
Fund of funds	102,985	-	-	102,985
Mutual fund - fixed income	357,815	-	-	357,815
Total	$ 1,478,710	$ -	$ -	$ 1,478,710

(3) Fair value measurements (continued)

In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of the investments reported at NAV. The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of December 31, 2017:

	Fair Value	Commitments	Frequency	Notice Period
MRA Opportunities Fund I A	$ 360,262	$ -	N/A	6 year lock up
Vida Longevity Fund, LP	225,989	-	N/A	1 year lock up and then 180 days notice
Ceres Farms, LLC	105,297	-	N/A	Written notice by September 30th each year
Total	$ 691,548	$ -		

In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of the investments reported at NAV. The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of December 31, 2016:

	Fair Value	Commitments	Frequency	Notice Period
MRA Opportunities Fund I A	$ 354,114	$ -	N/A	7 year lock up
Vida Longevity Fund, LP	105,680	-	N/A	2 year lock up and then 180 days notice
Ceres Farms, LLC	101,616	-	N/A	1 year lock up and then 5 months notice
Total	$ 561,410	$ -		

MRA Opportunities Fund I A - The policy of this fund is to invest in interests in underlying funds that are investing into private debt, providing an opportunity for higher yields with reasonable risk tradeoffs relative to publicly traded fixed income. The general manager of the fund is not required to fund capital redemptions from the fund. Capital will be distributed to the partners at amounts and times as the general partner may determine in its sole discretion.

Vida Longevity Fund, LP - The policy of this fund is to acquire longevity and longevity-backed assets and then seeks to maximize gains by either holding their assets to term or selling them to interested parties on the secondary of tertiary market. The fund is managed by Vida Management I, LLC and capital will be distributed at each general partner’s discretion, and upon liquidation of the fund.

Ceres Farms, LLC - The policy of this fund is to generate an attractive total return through the acquisition and management of farmland in the Midwestern United States. Ceres Partners, LLC serves as the fund’s investment advisor and acts as the manager of the fund. Capital will be distributed to the partners at amounts and times as the manager may determine in its sole discretion.

SPECIAL OLYMPICS ARIZONA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

(4) Receivables

Receivables consist of:

	2017	2016
Grants receivable	$ 11,500	$ 161,340
Special Olympics International	62,501	73,691
Total receivables	$ 74,001	$ 235,031

(5) Contributions receivable

Contributions receivable consist of:

	2017	2016
Due in less than one year	$ 609,469	$ 367,835
Due in two to five years	300,000	400,000
Total contributions receivable	909,469	767,835
Discount to present value	(18,493)	(30,502)
Contributions receivable, net	$ 890,976	$ 737,333

In 2012, the Organization received a $1 million contribution receivable from a donor as part of a bequest. In accordance with the donor's wishes, the Organization will receive $100,000 over 10 years, beginning in 2012. The Organization received the 2017 and 2016 distribution in February 2018 and 2017, respectively, thus this amount is included within current contributions receivable as of December 31, 2017 and 2016. While the donation is time restricted, there are no purpose restrictions on the contributed funds.

As of December 31, 2017 and 2016, the Organization has contributions receivable from two donors totaling approximately 67% and 89%, respectively, of the total contributions receivable in the accompanying statements of financial position.

(6) Property and equipment

Property and equipment consists of:

	2017	2016
Cost and donated value:		
Office furniture and equipment	$ 724,716	$ 620,107
Software and licenses	353,470	353,470
Vehicles	418,407	292,907
Total cost and donated value	1,496,593	1,266,484
Accumulated depreciation	(834,124)	(659,096)
Property and equipment, net	$ 662,469	$ 607,388

Depreciation expense charged to operations was $188,773 and $165,600 for the years ended December 31, 2017 and 2016, respectively.

(7) Operating leases

The Organization has entered into non-cancelable operating lease agreements for office and storage space and equipment expiring through April 2021. The total future minimum lease commitments payable under these lease agreements are as follows:

Years Ending December 31,		
2018	$	65,979
2019		65,979
2020		32,578
2021		5,178
Total minimum future rental payments	$	169,714

Rental expense on leases with terms exceeding one month for the years ended December 31, 2017 and 2016 was $66,405 and $53,674, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

(8) Chapter assessment

The Organization is allocated a portion of Special Olympics International's expenses. The chapter assessment included on the statements of activities represents the amount allocated to the Organization.

(9) Temporarily restricted net assets

Temporarily restricted net assets consist of time restricted contributions receivable (See Note 5). Releases from restriction represent collections on the contributions receivable and the change in the discount on long-term pledges.

(10) 401(k) plan

The Organization has a 401(k) profit sharing plan. The plan provides for the Organization to match 100% of employees' contributions up to 4% of their total compensation. The Organization had matching contributions of $50,071 in 2017 and $44,186 in 2016.

(11) Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits in banks and contributions receivable. The Organization does not anticipate nonperformance by the parties associated with the contributions receivable based on historical collections.