

SPECIAL OLYMPICS
SOUTHERN CALIFORNIA, INC.
(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Special Olympics Southern California, Inc.

Opinion

We have audited the financial statements of Special Olympics Southern California, Inc. (SOSC), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SOSC as of December 31, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SOSC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SOSC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SOSC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SOSC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited SOSC's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

June 18, 2026
Los Angeles, California

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2025

With Summarized Totals at December 31, 2024

| ASSETS | <u>2025</u> | <u>2024</u> |
|---|-----------------------------|-----------------------------|
| Cash and Cash Equivalents | \$ 15,033,759 | \$ 12,572,994 |
| Investments | 28,069,718 | 19,798,614 |
| Contributions and Pledges Receivable | 2,228,262 | 433,242 |
| Prepaid Expenses and Deposits | 400,016 | 561,799 |
| Operating Lease Right-of-Use Assets | 812,719 | 1,011,821 |
| Property and Equipment (Net) | 42,034 | 45,366 |
| TOTAL ASSETS | <u>\$ 46,586,508</u> | <u>\$ 34,423,836</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts Payable | \$ 219,060 | \$ 396,764 |
| Accrued Liabilities | 463,662 | 402,463 |
| Operating Lease Liabilities | 843,498 | 1,063,046 |
| Deferred Revenue | 27,500 | 20,400 |
| TOTAL LIABILITIES | 1,553,720 | 1,882,673 |
| NET ASSETS: | | |
| Without Donor Restrictions | 31,715,169 | 29,304,899 |
| With Donor Restrictions | 13,317,619 | 3,236,264 |
| TOTAL NET ASSETS | <u>45,032,788</u> | <u>32,541,163</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 46,586,508</u> | <u>\$ 34,423,836</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2025

With Summarized Totals for the Year Ended December 31, 2024

| | 2025 | | | 2024 Total |
|--|-------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| SPECIAL EVENTS: | | | | |
| Special Events Sponsorships and Contributions | \$ 2,092,516 | \$ - | \$ 2,092,516 | \$ 2,012,766 |
| Special Events Contributed Goods and Services | 149,573 | - | 149,573 | 51,053 |
| Less: Cost of Direct Benefits to Donors | (390,946) | - | (390,946) | (424,251) |
| Less: Cost of Direct Benefits to Donors - Contributed Goods | (127,512) | - | (127,512) | (28,680) |
| Dream Raffles Revenues | 4,507,925 | - | 4,507,925 | 5,187,570 |
| Dream Raffles Contributed Goods and Services | 38,442 | - | 38,442 | 4,250 |
| Less: Cost of Direct Benefits to Donors | (1,314,953) | - | (1,314,953) | (1,273,844) |
| Less: Cost of Direct Benefits to Donors - Contributed Goods | (31,720) | - | (31,720) | (4,250) |
| NET REVENUES FROM SPECIAL EVENTS | 4,923,325 | - | 4,923,325 | 5,524,614 |
| REVENUES AND SUPPORT: | | | | |
| Contributed Goods and Services | 5,773,058 | - | 5,773,058 | 5,373,123 |
| Contributions | 7,945,287 | 12,732,400 | 20,677,687 | 4,056,780 |
| Direct Marketing | 713,017 | - | 713,017 | 800,780 |
| TOTAL REVENUES AND SUPPORT | 14,431,362 | 12,732,400 | 27,163,762 | 10,230,683 |
| OTHER INCOME: | | | | |
| Investment Return (Net) | 2,553,633 | 71,913 | 2,625,546 | 2,523,359 |
| Other Income | 58,964 | - | 58,964 | 84,200 |
| Net Assets Released from: Donor Restrictions | 2,722,958 | (2,722,958) | - | - |
| TOTAL OTHER INCOME | 5,335,555 | (2,651,045) | 2,684,510 | 2,607,559 |
| TOTAL REVENUES, SUPPORT, AND OTHER INCOME | 24,690,242 | 10,081,355 | 34,771,597 | 18,362,856 |
| EXPENSES: | | | | |
| Program Services | 17,605,803 | - | 17,605,803 | 15,540,743 |
| Management and General | 999,903 | - | 999,903 | 1,139,338 |
| Fundraising | 3,674,266 | - | 3,674,266 | 3,636,727 |
| TOTAL EXPENSES | 22,279,972 | - | 22,279,972 | 20,316,808 |
| CHANGE IN NET ASSETS | 2,410,270 | 10,081,355 | 12,491,625 | (1,953,952) |
| Net Assets - Beginning of Year | 29,304,899 | 3,236,264 | 32,541,163 | 34,495,115 |
| NET ASSETS - END OF YEAR | \$ 31,715,169 | \$ 13,317,619 | \$ 45,032,788 | \$ 32,541,163 |

The Accompanying Notes are an Integral Part of These Financial Statements

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2025

With Summarized Totals for the Year Ended December 31, 2024

| | 2025 | | | | | | | 2024 Total |
|--|----------------------------------|---|--------------------------------|------------------------------|---------------------------|---------------------|----------------------|----------------------|
| | Program Services | | | Total Program Services | Management and General | Fundraising | Total | |
| | Sports and Health Programs | Unified Champion Schools Program | Other Program Services * | | | | | |
| Salaries and Temporary Labor | \$ 3,553,670 | \$ 1,061,451 | \$ 665,276 | \$ 5,280,397 | \$ 552,478 | \$ 838,749 | \$ 6,671,624 | \$ 6,080,197 |
| Payroll Taxes | 254,288 | 75,953 | 47,605 | 377,846 | 39,558 | 60,055 | 477,459 | 442,498 |
| Employee Benefits | 350,045 | 104,556 | 65,531 | 520,132 | 52,905 | 80,316 | 653,353 | 559,631 |
| TOTAL PERSONNEL COSTS | 4,158,003 | 1,241,960 | 778,412 | 6,178,375 | 644,941 | 979,120 | 7,802,436 | 7,082,326 |
| Contributed Goods and Services (Note 7) | 5,671,759 | - | 101,299 | 5,773,058 | - | 22,061 | 5,795,119 | 5,395,496 |
| Professional Services | 316,754 | 49,866 | 184,457 | 551,077 | 240,008 | 136,087 | 927,172 | 1,046,999 |
| Event Supplies and Fees | 468,795 | 329,954 | 25,187 | 823,936 | 951 | 73,410 | 898,297 | 467,605 |
| Facilities Rental | 610,086 | 7,141 | 8,183 | 625,410 | 3,719 | 6,322 | 635,451 | 497,848 |
| Lodging | 458,621 | 18,345 | 36,074 | 513,040 | - | 38,647 | 551,687 | 496,299 |
| Equipment, Equipment Service, and Rental | 403,108 | 24,247 | 15,485 | 442,840 | 12,629 | 37,946 | 493,415 | 493,726 |
| Meals | 379,743 | 5,169 | 68,036 | 452,948 | 5,687 | 27,571 | 486,206 | 434,520 |
| Rent | 255,733 | 76,386 | 47,875 | 379,994 | 39,783 | 60,397 | 480,174 | 468,070 |
| Transportation | 307,318 | 19,466 | 17,352 | 344,136 | 484 | 46,205 | 390,825 | 387,470 |
| Grants Made | - | 328,402 | - | 328,402 | - | - | 328,402 | 283,914 |
| Insurance | 23,135 | 6,357 | 275,242 | 304,734 | 3,311 | 9,187 | 317,232 | 284,128 |
| Uniforms | 236,453 | 9,078 | 830 | 246,361 | 5,881 | 46,835 | 299,077 | 184,237 |
| Accreditation Fees (Note 10) | 136,414 | 40,746 | 25,537 | 202,697 | - | - | 202,697 | 178,756 |
| Other | 29,585 | 8,573 | 19,707 | 57,865 | 15,623 | 96,964 | 170,452 | 147,383 |
| Software Expense | 87,619 | 26,171 | 16,403 | 130,193 | 13,630 | 20,693 | 164,516 | 152,323 |
| Telephone and Utilities | 80,829 | 23,792 | 14,912 | 119,533 | 12,391 | 18,812 | 150,736 | 141,110 |
| Awards and Recognition | 80,564 | - | 229 | 80,793 | 119 | 7,465 | 88,377 | 65,243 |
| Printing, Postage and Delivery | 17,330 | 31,642 | 1,439 | 50,411 | 746 | 20,243 | 71,400 | 66,535 |
| FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE | 13,721,849 | 2,247,295 | 1,636,659 | 17,605,803 | 999,903 | 1,647,965 | 20,253,671 | 18,273,988 |
| | | | | 87% | 5% | 8% | 100% | |
| Raffle Expense | - | - | - | - | - | 2,019,579 | 2,019,579 | 2,042,820 |
| Raffle - Contributed Goods and Services (Note 7) | - | - | - | - | - | 6,722 | 6,722 | - |
| TOTAL RAFFLE EXPENSES | - | - | - | - | - | 2,026,301 | 2,026,301 | 2,042,820 |
| TOTAL FUNCTIONAL EXPENSES | \$ 13,721,849 | \$ 2,247,295 | \$ 1,636,659 | \$ 17,605,803 | \$ 999,903 | \$ 3,674,266 | \$ 22,279,972 | \$ 20,316,808 |
| | | | | 80% | 4% | 16% | 100% | |

* Other program services include athlete leadership, public education, and professional development.

The Accompanying Notes are an Integral Part of These Financial Statements

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2025

With Summarized Totals for the Year Ended December 31, 2024

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 12,491,625 | \$ (1,953,952) |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities: | | |
| Realized and Unrealized Gains on Investments | (1,607,231) | (1,225,802) |
| Depreciation | 14,032 | 12,962 |
| Decrease (Increase) in: | | |
| Contributions and Pledges Receivable | (1,795,020) | 19,041 |
| Prepaid Expenses and Deposits | 161,783 | (139,328) |
| Operating Lease Right-of-Use Assets | 454,269 | 461,563 |
| Increase (Decrease) in: | | |
| Accounts Payable | (177,704) | (113,439) |
| Accrued Liabilities | 61,199 | (139,868) |
| Operating Lease Liabilities | (474,715) | (458,480) |
| Deferred Revenue | 7,100 | 15,095 |
| | <u>9,135,338</u> | <u>(3,522,208)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 9,135,338 | (3,522,208) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of Property and Equipment | (10,700) | - |
| Purchase of Investments | (10,433,772) | - |
| Proceeds from Sale of Investments | 4,433,772 | - |
| Reinvested Dividends and Interest | (663,873) | (594,366) |
| | <u>(6,674,573)</u> | <u>(594,366)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | (6,674,573) | (594,366) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,460,765 | (4,116,574) |
| Cash and Cash Equivalents - Beginning of Year | <u>12,572,994</u> | <u>16,689,568</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 15,033,759</u></u> | <u><u>\$ 12,572,994</u></u> |
| SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITY: | | |
| Right-of-Use Assets Obtained in Exchange for New Lease Liabilities | \$ 255,167 | \$ 170,076 |

The Accompanying Notes are an Integral Part of These Financial Statements

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - ORGANIZATION

Special Olympics Southern California, Inc. (SOSC) is an independent, non-profit public benefit corporation that is accredited by Special Olympics, Inc. (SOI). Olympic Gold Medalist Rafer Johnson established a California chapter of Special Olympics in 1969, which evolved into northern and southern California chapters in 1995. SOSC exists through the work of staff and volunteers and serves 11 counties in five regions across Southern California.

SOSC's mission 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, build independence, demonstrate courage, experience joy, and participate in a sharing of gifts, skills, and friendship with their families, other Special Olympics athletes, and the community.

For more than 50 years, SOSC has changed the lives of people with intellectual disabilities through the power of sports. Through year-round programs, athletes improve their health and self-esteem and find a sense of belonging.

Special Olympics is so much more than sports training and competition for athletes with intellectual disabilities.

- **Athlete Leadership Program:** The program provides the athletes with training to develop leadership skills and use their voices and abilities to inspire others, influence change and create inclusive communities.
- **Young Athletes Program:** The program works with youth athletes, ages 2-7, to develop motor, social and cognitive skills through foundational sports play.
- **Healthy Athletes Program:** Special Olympics is the world's largest public health organization for people with intellectual disabilities; the Healthy Athletes program provides access to free health services for a population with significant, unmet health needs.
- **Unified Champion Schools Program:** The program brings students with and without intellectual disabilities together to focus on participating in sports, social and community activities that foster understanding and acceptance, and promote leadership and collaboration.
- **Advocacy:** SOSC's team works as advocates and educators to spread the message about the importance of inclusion and the ways in which it benefits the lives of everyone around the world.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - ORGANIZATION (continued)

In 2025, SOSOC entered the second year of a new three-year Strategic Plan that helped guide sports and programs growth. Some of its accomplishments include:

- Adding 129 new Local Programs & Unified Champion Schools
- Providing 2,816 health screenings to athletes
- Increasing the number of certified coaches to 919
- Growing the number of registered volunteers and volunteer shifts to 16,511

SOSOC also received a three-year grant from the State of California that will allow for life-changing programs free of charge for people with intellectual disabilities and create more inclusive, connected communities for everyone.

While 2025 was very impactful, SOSOC continues to work toward a future where it is serving even more athletes with intellectual disabilities. New systems are being added to increase peer-to-peer fundraising and enhance ease of use for fundraisers. Work continues on launching enterprise technologies to enhance data hygiene and accessibility. SOSOC is launching new strategies to increase engagement and reach new audiences; including the launch of a new, easier to navigate website.

The impact SOSOC makes through the power of sports is life changing. When it impacts one athlete's life, it has a ripple effect that positively affects their family, the volunteers, schools, and the entire community. In fact, it helps to build a world that is more accepting and inclusive, which benefits all of us.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) NET ASSETS (continued)

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

(c) CASH AND CASH EQUIVALENTS

SOSC has defined cash and cash equivalents as cash in banks, money market funds and certificates of deposit with original maturities of less than three months. The carrying value of cash and cash equivalents at December 31, 2025 approximates its fair value. SOSC does not recognize a reserve for expected credit losses related to its cash equivalents as management has concluded there is no risk of non-payment.

(d) INVESTMENTS

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

SOSC recognizes grants and contributions when cash, other assets, or an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions and pledges receivable are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and contributions and pledges receivable and are adjusted annually. At December 31, 2025, all contributions and pledges receivable are due and expected to be collected in full within one year, and, as a result, no discount or allowance for uncollectible contributions and pledges receivable was established.

(f) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred while renewals and betterments are capitalized.

The estimated useful lives of property and equipment are as follows:

| | |
|-------------------------|--|
| Computer Equipment | 3 Years |
| Vehicles | 5 Years |
| Leasehold Improvements | Lesser of Useful Life or Lease Term |
| Furniture and Equipment | 5 Years |

Property and equipment are capitalized if the cost of an asset is greater than five thousand dollars and the useful life is greater than one year.

(g) LONG-LIVED ASSETS

SOSC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No impairment losses were recognized during the year ended December 31, 2025.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) SELF INSURANCE

SOSC has retained a portion of the risks relating to its employee unemployment claims. The exposure of unpaid claims and associated expenses, including incurred but not reported losses, is estimated based on prior claims history and analysis of current outstanding claims. The gross estimated liability associated with settling unpaid claims, if any, is included in accrued liabilities.

(i) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at their estimated fair value in the period received and expensed when utilized. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services that met the reporting criteria were valued at an average of \$40.14 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2024 according to the Independent Sector, a leadership forum for charities, foundations and corporate giving programs. In addition, SOSC received certain donated professional services that have been recorded in the financial statements based on estimated numbers of hours of contributed services and related average fair value hourly rates of such services.

SOSC received donated services from unpaid volunteers who made significant contributions of their time providing a broad range of support at all of the competitions and fundraising events. However, the value of these services is not reflected in the financial statements because the criteria for recognition were not met.

(j) LEASES

SOSC recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. SOSC is a lessee in several operating leases. SOSC determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable; otherwise SOSC uses the risk-free rate.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LEASES (continued)

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

SOSC has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that SOSC is reasonably certain to exercise. SOSC recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

(k) INCOME TAXES

SOSC is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with the FASB ASC Topic No. 740, *Uncertainty in Income Taxes*, SOSC recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2025, SOSC performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing SOSC's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings, either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. SOSC uses full-time equivalent ratios to allocate indirect costs.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(n) COMPARATIVE TOTALS

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 SOSOC's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

(o) SUBSEQUENT EVENTS

SOSOC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2025 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 18, 2026, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

SOSOC characterizes the fair value of its investments measured at fair value on a recurring basis, based on the priority of the inputs used to value the instruments, into a three-level fair value hierarchy. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (and liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs use unobservable data points for the assets (and liabilities) and include situations where there is little, if any, market activity for the asset (or liability).

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NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table presents information about SOSOC's assets that are measured at fair value on a recurring basis at December 31, 2025:

| | Fair Value Measurements Using | | | |
|------------------------------|-------------------------------|---|---|--|
| | December 31, 2025 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Mutual Fund Investments: | | | | |
| Money Market Funds | \$ 14,310,252 | \$ 14,310,252 | \$ - | \$ - |
| Fixed Income | 7,222,554 | 7,222,554 | - | - |
| International Equity | 1,098,972 | 1,098,972 | - | - |
| Growth Equity: | | | | |
| Small Cap | 883,514 | 883,514 | - | - |
| Large Cap | 4,554,426 | 4,554,426 | - | - |
| TOTAL INVESTMENTS | \$ 28,069,718 | \$ 28,069,718 | \$ - | \$ - |

The fair values of marketable securities within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2025 consist of the following:

| | |
|-------------------------------------|------------------|
| Computer Equipment | \$ 26,407 |
| Vehicles | 157,713 |
| Leasehold Improvements | 10,700 |
| Furniture and Equipment | 37,349 |
| TOTAL | 232,169 |
| Less: Accumulated Depreciation | (190,135) |
| PROPERTY AND EQUIPMENT (NET) | \$ 42,034 |

Depreciation expense for the year ended December 31, 2025 was \$14,032.

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NOTE 5 - LEGACY GIFTS

SOSC has been named a beneficiary in a number of bequests and trusts. The bequests and trusts are not recognized as support until all of the following conditions are met: the demise of the testator; the amount of the bequest or trust is known; SOSC is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid. Certain bequests and trusts have not been recorded in the accompanying financial statements because the donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable.

NOTE 6 - OPERATING LEASES

SOSC leases several offices and other facilities which are classified as operating leases. The leases expire on various dates ranging through November 16, 2029. Some of these leases have renewal options of up to 3 years. The exercise of lease renewal options is at the lessee's discretion. SOSC has included the renewal term in the calculation of the ROU asset and related lease liability when it determined such renewals are reasonably certain of being exercised. As of December 31, 2025, SOSC recognized \$812,719 of ROU assets and \$843,498 of related lease liabilities for contracts that are classified as operating leases.

Lease cost was as follows for the year ended December 31, 2025:

| | | |
|------------------------------------|-----------|-----------------------|
| Operating Lease Cost: | \$ | 480,998 |
| Short-Term and Variable Lease Cost | | <u>64,741</u> |
| TOTAL LEASE COST | \$ | <u>545,739</u> |

The weighted average remaining lease term and weighted average discount rate were as follows at December 31, 2025:

| | |
|--------------------------------|------------|
| Weighted-Average Lease Term | |
| Operating Leases | 3.08 years |
| Weighted-Average Discount Rate | |
| Operating Leases | 3.21% |

Maturities of lease liabilities as of December 31, 2025 are as follows:

Years Ending December 31

| | | |
|-----------------------------|-----------|-----------------------|
| 2026 | \$ | 303,101 |
| 2027 | | 291,146 |
| 2028 | | 189,529 |
| 2029 | | <u>99,830</u> |
| TOTAL LEASE PAYMENTS | | 883,606 |
| Less: Imputed Interest | | <u>(40,108)</u> |
| TOTAL | \$ | <u>843,498</u> |

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NOTES TO FINANCIAL STATEMENTS

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NOTE 7 - CONTRIBUTED GOODS AND SERVICES

For the year ended December 31, 2025, contributed goods and services consist of:

| Category | Valuation Methodology | Amount |
|--------------------------------|--|---------------------|
| Coaches and Medical Volunteers | Based on contributed hours at published "Dollar Value of a Volunteer Hour" for the State of California | \$ 5,130,655 |
| Use of Facilities | Market rates for similar properties | 373,260 |
| Legal Services | Comparable hourly rates of legal professionals with similar expertise | 150,304 |
| Other Supplies | Market prices for similar supplies | 231,262 |
| Other Professional Services | Market rates for similar services | 75,592 |
| TOTAL | | <u>\$ 5,961,073</u> |

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2025:

| | |
|---|----------------------|
| Subject to the Passage of Time | \$ 12,575,000 |
| Subject to Expenditure for Specified Purpose: | |
| Young Athlete Programs | 110,103 |
| Community Sports Programs | 52,401 |
| Other | 3,552 |
| TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE | <u>166,056</u> |
| Subject to Appropriation or Spending Policy: | |
| Donor-Restricted Perpetual Endowment | 375,000 |
| Unspent Endowment Earnings | 201,563 |
| TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY | <u>576,563</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 13,317,619</u> |

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2025:

| | |
|--|----------------------------|
| Passage of Time | \$ 2,575,000 |
| Satisfaction of Purpose Restrictions: | |
| Community Sports Programming | 38,314 |
| Young Athlete Programs | 108,644 |
| Other | <u>1,000</u> |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | <u>\$ 2,722,958</u> |

NOTE 9 - ENDOWMENTS

SOSC has two donor-restricted endowment funds, the earnings of which support the Team Wellness program and the Comprehensive Campaign for Inclusion and Access. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SOSC's management understands California State law as (1) requiring the preservation of the fair market value of the original gifts as of the gift date of the donor-restricted endowment funds, and (2) allowing the spending of income and gains on endowments required to be maintained in perpetuity, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for SOSC's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, annual growth percentage and costs of portfolio management.

In the absence of explicit donor instructions, SOSC's spending policy allows that up to 7% of the endowment base shall be available to support SOSC's programs annually. The endowment base is defined as 12-quarter moving average of the market value of the total endowment portfolio.

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NOTE 9 - ENDOWMENTS (continued)

At December 31, 2025, SOSC's endowment net assets composition by type of net assets was as follows:

| Endowment Net Asset Composition by Type of Fund at December 31, 2025 | With Donor Restrictions |
|---|--------------------------------|
| Donor-Restricted | <u>\$ 576,563</u> |
| Changes in Endowment Net Assets for the Year Ended December 31, 2025 | |
| Endowment Net Assets – Beginning of Year | \$ 504,650 |
| Contributions | - |
| Investment Return (Net) | 71,913 |
| Appropriations for Expenditure | <u>-</u> |
| <i>ENDOWMENT NET ASSETS - END OF YEAR</i> | <u>\$ 576,563</u> |

Investment return related to SOSC's donor-restricted endowments is recorded as revenue with donor restrictions unless otherwise directed by the donor's gift instrument.

NOTE 10 - RELATED PARTY TRANSACTIONS

As an accredited chapter of SOI (See Note 1), SOSC remits accreditation fees and shares in percentages of contributions for nationwide SOI fundraising programs. SOSC incurred accreditation fees totaling \$202,697 for the year ended December 31, 2025. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,837,639 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2025. Contributions and pledges receivable at December 31, 2025 include \$92,172 due from SOI.

NOTE 11 - EMPLOYEE BENEFIT PLAN

SOSC has a 403(b) defined contribution plan covering substantially all employees. After one year of service, SOSC matches 50% of the employee's contribution up to a maximum of 6% of the employee's salary annually. SOSC contributed \$116,375 to the plan for the year ended December 31, 2025.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by SOSOC at December 31, 2025 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

| | |
|--|-----------------------------|
| Financial Assets at December 31, 2025: | |
| Cash and Cash Equivalents | \$ 15,033,759 |
| Investments | 28,069,718 |
| Contributions and Pledges Receivable | <u>2,228,262</u> |
| TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2025 | 45,331,739 |
| Less Amounts Not Available to Be Used within One Year, Due to: | |
| Funds Held for Perpetual Endowments And Unspent Endowment Earnings | (576,563) |
| Funds Held with Purpose and Time Restrictions | <u>(12,741,056)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 32,014,120</u> |

SOSOC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SOSOC is substantially supported by contributions without donor restrictions. As part of SOSOC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SOSOC has various sources of liquid financial resources at its disposal, including cash and cash equivalents and marketable debt and equity securities. SOSOC's investments are held for operations and endowments. The entire investment portfolio consists of highly liquid investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, SOSOC considers funds and pledges restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.