

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Southern California, Inc. (SOSC), a nonprofit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SOSC as of December 31, 2015, 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 SOSC's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, on our consideration of SOSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SOSC's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

May 10, 2016
Los Angeles, California

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2015

With Summarized Totals at December 31, 2014

ASSETS	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Cash and Cash Equivalents	\$ 1,495,411	\$ 398,237	\$ 1,893,648	\$ 886,604
Investments	4,699,048	-	4,699,048	4,659,074
Contributions and Pledges Receivable	537,565	-	537,565	558,021
Related Party Receivable (Net)	100,000	-	100,000	274,566
Prepaid Expenses and Deposits	251,164	-	251,164	288,591
Property and Equipment (Net)	108,357	-	108,357	108,220
TOTAL ASSETS	\$ 7,191,545	\$ 398,237	\$ 7,589,782	\$ 6,775,076
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 289,379	\$ -	\$ 289,379	\$ 307,705
Accrued Liabilities	354,465	-	354,465	323,348
TOTAL LIABILITIES	643,844	-	643,844	631,053
NET ASSETS:				
Unrestricted	6,547,701	-	6,547,701	5,911,146
Temporarily Restricted	-	398,237	398,237	232,877
TOTAL NET ASSETS	6,547,701	398,237	6,945,938	6,144,023
TOTAL LIABILITIES AND NET ASSETS	\$ 7,191,545	\$ 398,237	\$ 7,589,782	\$ 6,775,076

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, 2015

With Summarized Totals for the Year Ended December 31, 2014

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SPECIAL EVENTS:					
Special Events	\$ 3,885,466	\$ -	\$ -	\$ 3,885,466	\$ 3,298,626
Less: Cost of Direct Benefits to Donors	(1,021,897)	-	-	(1,021,897)	(1,009,802)
Dream Raffles	8,890,755	-	-	8,890,755	6,047,550
Less: Cost of Direct Benefits to Donors	(2,513,783)	-	-	(2,513,783)	(1,709,236)
NET REVENUES FROM SPECIAL EVENTS	9,240,541	-	-	9,240,541	6,627,138
REVENUES AND SUPPORT:					
Contributed Goods and Services	5,469,732	-	-	5,469,732	5,839,705
Contributions	4,129,330	205,592	-	4,334,922	3,326,576
Allowance for Bad Debt	(174,566)	-	-	(174,566)	-
Direct Marketing	1,036,892	-	-	1,036,892	1,022,174
TOTAL REVENUES AND SUPPORT	10,461,388	205,592	-	10,666,980	10,188,455
OTHER INCOME:					
Dividends and Interest Income	95,672	5,167	-	100,839	119,085
Other Income	23,337	-	-	23,337	38,958
Realized and Unrealized Gains (Losses) on Investments	(129,756)	-	-	(129,756)	154,356
Net Assets Released from:					
Purpose Restrictions	34,705	(34,705)	-	-	-
Time Restrictions	10,694	(10,694)	-	-	-
TOTAL OTHER INCOME	34,652	(40,232)	-	(5,580)	312,399
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	19,736,581	165,360	-	19,901,941	17,127,992
EXPENSES:					
Program Services	14,177,781	-	-	14,177,781	12,874,017
Management and General	320,594	-	-	320,594	377,556
Fundraising	4,601,651	-	-	4,601,651	3,547,417
TOTAL EXPENSES	19,100,026	-	-	19,100,026	16,798,990
CHANGE IN NET ASSETS	636,555	165,360	-	801,915	329,002
Net Assets - Beginning of Year	5,911,146	232,877	-	6,144,023	5,815,021
NET ASSETS - END OF YEAR	\$ 6,547,701	\$ 398,237	\$ -	\$ 6,945,938	\$ 6,144,023

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, 2015

With Summarized Totals for the Year Ended December 31, 2014

	2015				2014
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 3,904,868	\$ 213,649	\$ 232,795	\$ 4,351,312	\$ 3,870,387
Temporary Labor	167,427	6,611	7,204	181,242	73,867
Payroll Taxes	274,058	14,995	16,338	305,391	298,098
Employee Benefits	571,722	30,803	33,563	636,088	505,507
TOTAL PERSONNEL COSTS	4,918,075	266,058	289,900	5,474,033	4,747,859
Contributed Goods and Services (Note 10)	5,435,921	1,680	88,746	5,526,347	5,893,306
Transportation	416,516	658	46,009	463,183	457,499
Professional Services	288,509	8,022	76,534	373,065	444,838
Lodging	341,885	-	14,885	356,770	304,787
Facilities Rental	332,866	271	9,452	342,589	341,740
Rent	304,258	16,647	18,138	339,043	313,662
Event Supplies	303,412	172	33,679	337,263	287,485
Meals	270,002	245	16,050	286,297	332,665
Uniforms	228,443	113	35,227	263,783	260,320
Equipment Rental	212,182	233	-	212,415	195,581
Accreditation Fees (Note 12)	199,987	-	-	199,987	174,587
Insurance	172,268	1,428	2,756	176,452	156,718
Office Supplies	138,940	6,917	8,525	154,382	131,801
Event Fees	115,220	286	10,220	125,726	19,711
Equipment and Equipment Service	109,874	5,841	6,364	122,079	81,756
Telephone	103,889	5,371	8,045	117,305	99,795
Bank Charges	-	1,443	93,418	94,861	89,450
Awards and Recognition	80,836	38	5,577	86,451	100,533
Printing	37,127	680	30,812	68,619	59,188
Software Expense	47,700	2,610	2,844	53,154	46,609
Depreciation	53,144	-	-	53,144	60,686
Postage and Delivery	27,811	1,051	13,294	42,156	39,764
Photography	17,554	50	14,872	32,476	29,577
Utilities	10,062	498	1,022	11,582	7,583
Dues and Publications	8,267	135	1,730	10,132	12,783
Taxes and Licenses	1,616	83	457	2,156	16,902
Miscellaneous Expense	1,417	64	69	1,550	3,300
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	14,177,781	320,594	828,625	15,327,000	14,710,485
	93%	2%	5%	100%	
Raffle Expense	-	-	3,773,026	3,773,026	2,088,505
TOTAL FUNCTIONAL EXPENSES	\$ 14,177,781	\$ 320,594	\$ 4,601,651	\$ 19,100,026	\$ 16,798,990
	74%	2%	24%	100%	

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, 2015

With Summarized Totals for the Year Ended December 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 801,915	\$ 329,002
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	53,144	60,686
Reinvested Dividends and Interest	(99,109)	(102,643)
Realized and Unrealized (Gains) Losses on Investments	129,756	(154,356)
Donated Stock	(1,101,685)	(21,190)
Proceeds from Sale of Donated Stock	1,031,064	21,190
Allowance for Bad Debt	174,566	-
Decrease in:		
Contributions and Pledges Receivable	20,456	60,260
Related Party Receivable	-	233,027
Prepaid Expenses and Deposits	37,427	205,672
Increase (Decrease) in:		
Accounts Payable	(18,326)	(135,771)
Accrued Liabilities	31,117	12,269
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,060,325	508,146
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	-	1,746,269
Purchase of Investments	-	(2,246,269)
Purchase of Property and Equipment	(53,281)	-
NET CASH USED IN INVESTING ACTIVITIES	(53,281)	(500,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,007,044	8,146
Cash and Cash Equivalents - Beginning of Year	886,604	878,458
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,893,648	\$ 886,604

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, 2015

NOTE 1 - ORGANIZATION

Special Olympics Southern California'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, 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 47 years, the positive effect of Special Olympics Southern California (SOSC) has had an impact not only on the lives of its athletes, but those of their families, volunteers and the communities in which they live. It is the goal of SOSC to assist all individuals with intellectual disabilities to be accepted, respected and given a chance to become productive members of the community.

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 currently serves more than 24,000 individuals with intellectual disabilities with the help of nearly 15,000 volunteers. Athletes train year-round during two six-month seasons and can choose from 12 sports at no cost. The program exists through the work of staff and volunteers in nine regional offices. Those regions hold nearly 120 sports and training events throughout the year, in addition to many fundraisers supporting those events.

School-based programs continue to grow. Nearly sixty-eight percent of SOSC's athletes are currently participating through the School Partnership Program (SPP). SPP includes all school-based student athletes, Unified Partners and Young Athletes. The average age of an SPP athlete is 13 years of age which has lowered the overall average age of participating athletes to 18 years of age.

The Young Athletes Program now has over 3,300 youth joining in this unique program for children ages 2 to 7 with and without intellectual disabilities. This program provides an early introduction to sports and the world of Special Olympics while focusing on fun activities important to mental and physical growth. Children enjoy games and activities that develop motor skills and hand-eye coordination.

Through participation in SOSC, athletes improve their overall physical health and develop valuable life skills that are critical for people with intellectual disabilities to learn to live a healthier, more independent life. Although sports are the main vehicle to achieve that vision, SOSC's programs are about much more than sports training and competition.

The Athlete Leadership Program provides training, tools and mentoring for leadership and ambassador roles throughout the organization. SOSC now has four athletes serving on the Board of Directors and more than 100 Global Messenger athletes who help spread the word about Special Olympics to civic and community groups, corporations and volunteers.

In addition, the Healthy Athletes Program™ offers free health care screenings, exams and education to improve each athlete's ability to train and compete in Special Olympics. Medical professionals work with athletes in six disciplines: Fit Feet, Fun Fitness, Health Promotion, Healthy Hearing, Opening Eyes® and Special Smiles®.

SOSC is proud that it exceeded its net surplus goal and protected cash reserves. This will assist SOSC in preparing itself for the anticipated increase in athlete and volunteer participation in the forthcoming years.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 - ORGANIZATION (continued)

SOSC is leveraging the enthusiasm and momentum generated from the 2015 Special Olympics World Summer Games held in Los Angeles, in order to significantly grow programs and services. SOSC has targeted 28 communities that were introduced to Special Olympics through World Games, and are now being engaged in new programming and athlete growth opportunities. SOSC's communication network has also multiplied, with 125,000 new supporters from World Games and over 200 million media impressions.

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) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SOSC are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted Net Assets.** SOSC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. SOSC has \$398,237 of temporarily restricted net assets at December 31, 2015.

Restricted contributions received and spent in the same year are treated by SOSC as unrestricted for reporting purposes.

- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit SOSC to expend all of the income (or other economic benefits) derived from the donated assets. SOSC does not have permanently restricted net assets at December 31, 2015.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

SOSC has defined cash and cash equivalents as cash in banks, money market funds and certificates of deposits with original maturities of less than three months. The carrying value of cash and cash equivalents at December 31, 2015 approximates its fair value.

(d) INVESTMENTS

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at fair value. Interest and dividend income and gains and losses on investments are reported on the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. SOSC reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

(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:

Vehicles	5 Years
Furniture and Equipment	5 Years
Computer Equipment	3 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. No impairment losses were recognized during the year ended December 31, 2015.

(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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) CONCENTRATION OF CREDIT RISK

SOSC places its cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. SOSC has not incurred losses related to these investments.

SOSC holds investments in the form of mutual funds. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors.

(j) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received. Volunteer services that met the reporting criteria were valued at an average of \$26.87 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2014 according to the Independent Sector, a leadership forum for charities, foundations and corporate giving programs.

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.

(k) ADVERTISING COSTS

Advertising costs were expensed as incurred. Advertising costs for the year ended December 31, 2015 were \$331,598 which are included in dream raffles expenses.

(l) INCOME TAXES

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

(m) 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 as 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.

(n) 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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 SOSC's financial statements for the year ended December 31, 2014 from which the summarized information was derived.

(p) RECLASSIFICATIONS

For comparability, the December 31, 2014 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used at December 31, 2015.

(q) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 10, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - FAIR VALUE MEASUREMENTS

SOSC has implemented the accounting standard which defines fair value for those assets and liabilities that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

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).

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - 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, 2015 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2015	Fair Value Measurements Using		
		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	\$ 604,880	\$ 604,880	\$ -	\$ -
Fixed Income	1,793,424	1,793,424	-	-
International	398,462	398,462	-	-
Large Cap Growth	1,902,282	1,902,282	-	-
TOTAL MUTUAL FUND INVESTMENTS	\$ 4,699,048	\$ 4,699,048	\$ -	\$ -

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

SOSOC's policy is to recognize transfers in and out of Levels 1, 2 and 3 as of the end of the year. There were no transfers for the year ended December 31, 2015.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

All contributions and pledges receivable are deemed to be fully collectible at December 31, 2015; therefore, no allowance for doubtful pledges has been recorded. The total amount of contributions and pledges receivable at December 31, 2015 is \$537,565, all of which are expected to be collected within one year. Refer to Note 8 for conditional contributions and pledges receivable that have not met the criteria to be recognized as support.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 consist of the following:

Computer Equipment	\$ 463,438
Vehicles	162,492
Furniture and Equipment	<u>45,669</u>
TOTAL	671,599
Less: Accumulated Depreciation	<u>(563,242)</u>
PROPERTY AND EQUIPMENT (NET)	\$ 108,357

Depreciation expense for the year ended December 31, 2015 was \$53,144.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2015 consist of the following:

Accrued Vacation	\$	248,386
Accrued Unemployment		18,281
Other		87,798
TOTAL ACCRUED LIABILITIES	\$	354,465

NOTE 7 - ACCRUED UNEMPLOYMENT LIABILITY

SOSC has elected to be self-insured for the purposes of employee unemployment claims. The reserve for unemployment liability at December 31, 2015 of \$18,281, included in accrued liabilities, represents estimated future claims arising from current and past employees. Unemployment expense for the year ended December 31, 2015 was \$20,264.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at January 1, 2015	\$ 15,904	\$ -	\$ 15,904
Self-Insurance Expenses Incurred (Net)	(17,887)	-	(17,887)
Payments Made to Fund Related Liabilities	20,264	-	20,264
BALANCE AT DECEMBER 31, 2015	\$ 18,281	\$ -	\$ 18,281

Additionally, SOSC holds an unemployment insurance deposit amount of \$63,895, to be used against future claims, as of December 31, 2015.

NOTE 8 - 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 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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 - COMMITMENTS

SOSC leases equipment and office space under various operating leases expiring through January 2021. Future minimum payments under these leases, with initial or remaining terms of one year or more, consist of the following by year and in the aggregate:

Years Ending December 31

2016	\$	395,042
2017		152,232
2018		109,627
2019		110,558
2020		81,918
Thereafter		<u>1,652</u>
TOTAL	\$	<u>851,029</u>

The rent and equipment rental expense under these leases for the year ended December 31, 2015 was \$372,923.

NOTE 10 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2015 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 4,866,095	\$ 1,680	\$ 73,964	\$ 4,941,739
Goods	266,219	-	225,067	491,286
Use of Facilities and Equipment	<u>335,738</u>	-	114,939	<u>450,677</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	5,468,052	1,680	413,970	5,883,702
Less: Cost of Direct Benefits to Donors	<u>-</u>	-	<u>(325,224)</u>	<u>(325,224)</u>
CONTRIBUTED GOODS AND SERVICES (NET)	<u>\$ 5,468,052</u>	<u>\$ 1,680</u>	<u>\$ 88,746</u>	<u>\$ 5,558,478</u>

The fundraising contributed goods and services are recorded as special event revenue.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31, 2015:

Time Restricted	\$ 3,617
Games and Championships	379,242
Volunteer Activities	<u>15,378</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 398,237</u>

NOTE 12 - 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 \$199,987 for the year ended December 31, 2015. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,488,223 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2015. Contributions and pledges receivable include \$355,841 due from SOI.

During the year ended December 31, 2013, SOSC and the 2015 Special Olympics World Summer Games Organizing Committee, Inc. (GOC) entered into a memorandum of understanding which set forth the principles of coordination between the organizations with respect to the 2015 Special Olympics World Summer Games that took place in and around Los Angeles, California in July 2015. As part of that memorandum of understanding, the GOC agreed to make a contribution to SOSC equal to 2.5% of all cash revenue received through December 31, 2015. In connection with the agreement, the amount owed to SOSC was \$274,566 at January 1, 2015. In March 2016, SOSC received a \$100,000 payment from the GOC. After this payment, SOSC was informed by the GOC that any additional payments were unlikely. As a result SOSC recorded an allowance for doubtful accounts in the amount of \$174,566 for the year ended December 31, 2015. In addition, no accruals of revenue were made during the year ended December 31, 2015, as any further collections on revenues earned from the GOC were unlikely.

NOTE 13 - 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 \$68,790 to the plan for the year ended December 31, 2015.