

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 9, 2017, 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 9, 2017
Los Angeles, California

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2016

With Summarized Totals at December 31, 2015

ASSETS	2016	2015
Cash and Cash Equivalents	\$ 1,648,839	\$ 1,893,648
Investments	5,671,300	4,699,048
Contributions and Pledges Receivable	1,017,585	537,565
Related Party Receivable (Net)	-	100,000
Prepaid Expenses and Deposits	338,698	251,164
Property and Equipment (Net)	82,656	108,357
<i>TOTAL ASSETS</i>	<u>\$ 8,759,078</u>	<u>\$ 7,589,782</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 267,935	\$ 289,379
Accrued Liabilities	509,443	347,186
Deferred Revenue	488,566	7,279
<i>TOTAL LIABILITIES</i>	<u>1,265,944</u>	<u>643,844</u>
NET ASSETS:		
Unrestricted	6,906,579	6,547,701
Temporarily Restricted	411,555	398,237
Permanently Restricted	175,000	-
<i>TOTAL NET ASSETS</i>	<u>7,493,134</u>	<u>6,945,938</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 8,759,078</u>	<u>\$ 7,589,782</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, 2016

With Summarized Totals for the Year Ended December 31, 2015

	2016			2015 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
SPECIAL EVENTS:					
Special Events	\$ 3,806,570	\$ 27,000	\$ -	\$ 3,833,570	\$ 3,885,466
Less: Cost of Direct Benefits to Donors	(1,096,418)	-	-	(1,096,418)	(1,021,897)
Dream Raffles	4,934,340	-	-	4,934,340	8,890,755
Less: Cost of Direct Benefits to Donors	(1,386,075)	-	-	(1,386,075)	(2,513,783)
NET REVENUES FROM SPECIAL EVENTS	6,258,417	27,000	-	6,285,417	9,240,541
REVENUES AND SUPPORT:					
Contributed Goods and Services	5,861,976	-	-	5,861,976	5,469,732
Contributions	4,813,808	206,324	175,000	5,195,132	4,334,922
Allowance for Bad Debt	-	-	-	-	(174,566)
Direct Marketing	984,794	-	-	984,794	1,036,892
TOTAL REVENUES AND SUPPORT	11,660,578	206,324	175,000	12,041,902	10,666,980
OTHER INCOME:					
Dividends and Interest Income	119,929	2,419	-	122,348	100,839
Other Income	76,576	-	-	76,576	23,337
Realized and Unrealized Gains (Losses) on Investments	256,557	-	-	256,557	(129,756)
Net Assets Released from:					
Purpose Restrictions	218,808	(218,808)	-	-	-
Time Restrictions	3,617	(3,617)	-	-	-
TOTAL OTHER INCOME	675,487	(220,006)	-	455,481	(5,580)
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	18,594,482	13,318	175,000	18,782,800	19,901,941
EXPENSES:					
Program Services	14,943,893	-	-	14,943,893	14,177,781
Management and General	273,146	-	-	273,146	320,594
Fundraising	3,018,565	-	-	3,018,565	4,601,651
TOTAL EXPENSES	18,235,604	-	-	18,235,604	19,100,026
CHANGE IN NET ASSETS	358,878	13,318	175,000	547,196	801,915
Net Assets - Beginning of Year	6,547,701	398,237	-	6,945,938	6,144,023
NET ASSETS - END OF YEAR	\$ 6,906,579	\$ 411,555	\$ 175,000	\$ 7,493,134	\$ 6,945,938

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, 2016

With Summarized Totals for the Year Ended December 31, 2015

	2016				2015 Total
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 4,359,514	\$ 186,068	\$ 305,005	\$ 4,850,587	\$ 4,351,312
Temporary Labor	85,766	3,440	5,639	94,845	181,242
Payroll Taxes	317,917	13,569	22,242	353,728	305,391
Employee Benefits	504,788	20,888	34,240	559,916	636,088
TOTAL PERSONNEL COSTS	5,267,985	223,965	367,126	5,859,076	5,474,033
Contributed Goods and Services (Note 11)	5,861,016	960	73,098	5,935,074	5,526,347
Transportation	462,018	1,098	36,850	499,966	463,183
Professional Services	310,403	7,078	116,828	434,309	373,065
Facilities Rental	368,254	413	8,203	376,870	342,589
Rent	333,158	14,220	23,309	370,687	339,043
Lodging	313,916	-	20,879	334,795	356,770
Meals	298,592	80	33,621	332,293	286,297
Event Supplies	277,008	4	34,518	311,530	337,263
Uniforms	222,474	279	88,376	311,129	263,783
Equipment Rental	241,689	145	-	241,834	212,415
Accreditation Fees (Note 14)	211,838	-	-	211,838	199,987
Insurance	169,164	5,667	3,401	178,232	176,452
Equipment and Equipment Service	136,301	5,817	9,536	151,654	122,079
Telephone	104,913	4,239	9,480	118,632	117,305
Bank Charges	-	1,855	107,914	109,769	94,861
Awards and Recognition	81,099	1	8,536	89,636	86,451
Printing	44,497	1,094	35,603	81,194	68,619
Office Supplies	62,106	2,310	5,240	69,656	154,382
Software Expense	51,239	2,187	3,585	57,011	53,154
Depreciation	46,066	-	-	46,066	53,144
Postage and Delivery	29,391	817	10,015	40,223	42,156
Photography	7,584	-	17,748	25,332	32,476
Utilities	14,715	623	1,261	16,599	11,582
Event Fees	10,031	43	354	10,428	125,726
Dues and Publications	6,285	117	829	7,231	10,132
Miscellaneous Expense	5,000	-	-	5,000	1,550
Grants Made	4,000	-	-	4,000	-
Taxes and Licenses	3,151	134	592	3,877	2,156
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	14,943,893	273,146	1,016,902	16,233,941	15,327,000
	92%	2%	6%	100%	
Raffle Expense	-	-	2,001,663	2,001,663	3,773,026
TOTAL FUNCTIONAL EXPENSES	\$ 14,943,893	\$ 273,146	\$ 3,018,565	\$ 18,235,604	\$ 19,100,026
	82%	1%	17%	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, 2016

With Summarized Totals for the Year Ended December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 547,196	\$ 801,915
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	46,066	53,144
Reinvested Dividends and Interest	(119,237)	(99,109)
Realized and Unrealized (Gains) Losses on Investments	(256,557)	129,756
Donated Stock	(391)	(1,101,685)
Proceeds from Sale of Donated Stock	391	1,031,064
Permanently Restricted Contributions	(175,000)	-
Allowance for Bad Debt	-	174,566
Decrease (Increase) in:		
Contributions and Pledges Receivable	(380,020)	20,456
Related Party Receivable	100,000	-
Prepaid Expenses and Deposits	(87,534)	37,427
Increase (Decrease) in:		
Accounts Payable	(21,444)	(18,326)
Accrued Liabilities	162,257	33,851
Deferred Revenue	481,287	(2,734)
NET CASH PROVIDED BY OPERATING ACTIVITIES	297,014	1,060,325
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	78,542	-
Purchase of Investments	(675,000)	-
Purchase of Property and Equipment	(20,365)	(53,281)
NET CASH USED IN INVESTING ACTIVITIES	(616,823)	(53,281)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently Restricted Contributions	75,000	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(244,809)	1,007,044
Cash and Cash Equivalents - Beginning of Year	1,893,648	886,604
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,648,839	\$ 1,893,648

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, 2016

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 48 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 29,000 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 seventy-three percent of SOSC's athletes are currently participating through the School Program. This program includes all school-based student athletes, Unified Partners and Young Athletes. The average age of a school program 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 5,400 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, SOSC offers two health and wellness programs. The Healthy Athletes Program™ offers free healthcare 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®. The second program is Team Wellness. Participants receive training, guidance, and encouragement to eat healthier, build life-long healthy habits, and live a happier and more active lifestyle.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - ORGANIZATION (continued)

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.

SOSC leveraged the enthusiasm and momentum of the 2015 Special Olympics World Summer Games to reach its goal of serving 28,000 athletes by the end of 2016. Along with reaching more athletes, SOSC now offers programming in more than 750 Southern California schools, which includes sports, youth leadership, and whole school engagement activities for people with and without intellectual disabilities. Beyond sports, Team Wellness was piloted in El Cajon with a floor hockey team. This nutrition-and health-based program helped the athletes lose hundreds of pounds, develop a healthy eating habits, and live a more active lifestyle.

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 \$411,555 of temporarily restricted net assets at December 31, 2016.

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 has \$175,000 of permanently restricted net assets at December 31, 2016.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016 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:

Computer Equipment	3 Years
Vehicles	5 Years
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. No impairment losses were recognized during the year ended December 31, 2016.

(h) DEFERRED REVENUE

Deferred revenue consists of appropriated funds from the State of California which have not yet met the criteria to be recognized as revenue.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

(k) 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 \$27.59 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2015 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.

(l) ADVERTISING COSTS

Advertising costs were expensed as incurred. Advertising costs for the year ended December 31, 2016 were \$289,508 which includes dream house raffle expenses.

(m) INCOME TAXES

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

(n) 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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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, 2015 from which the summarized information was derived.

(q) RECLASSIFICATIONS

For comparability, certain December 31, 2015 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used at December 31, 2016.

(r) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For SOSC, the ASU will be effective for the year ending December 31, 2020.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce the complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in the financial statements that is useful in assessing a nonprofit's liquidity, financial performance and cash flows. For SOSC, the ASU will be effective for the year ending December 31, 2018.

(s) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 9, 2017, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 - INVESTMENTS AND 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).

The following table presents information about SOSC's assets that are measured at fair value on a recurring basis at December 31, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2016	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	\$ 388,251	\$ 388,251	\$ -	\$ -
Fixed Income	2,144,505	2,144,505	-	-
International	539,792	539,792	-	-
Small Cap Growth	618,840	618,840	-	-
Large Cap Growth	1,979,912	1,979,912	-	-
TOTAL MUTUAL FUND INVESTMENTS	\$ 5,671,300	\$ 5,671,300	\$ -	\$ -

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.

SOSC'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, 2016.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

All contributions and pledges receivable are deemed to be fully collectible at December 31, 2016; therefore, no allowance for doubtful pledges has been recorded. The total amount of contributions and pledges receivable at December 31, 2016 is \$1,017,585 and is expected to be collected as follows:

Less than One Year	\$	967,585
One to Five Years		<u>50,000</u>
CONTRIBUTIONS AND PLEDGES RECEIVABLE	\$	<u>1,017,585</u>

Refer to Note 9 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, 2016 consist of the following:

Computer Equipment	\$	469,421
Vehicles		162,492
Furniture and Equipment		<u>60,051</u>
TOTAL		691,964
Less: Accumulated Depreciation		<u>(609,308)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u>82,656</u>

Depreciation expense for the year ended December 31, 2016 was \$46,066.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2016 consist of the following:

Accrued Vacation	\$	257,339
Accrued Payroll		240,796
Accrued Unemployment		<u>11,308</u>
TOTAL ACCRUED LIABILITIES	\$	<u>509,443</u>

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016 of \$11,308, included in accrued liabilities, represents estimated future claims arising from current and past employees. Unemployment expense for the year ended December 31, 2016 was \$14,775.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at January 1, 2016	\$ 18,281	\$ -	\$ 18,281
Self-Insurance Expenses Incurred (Net)	14,775	-	14,775
Payments Made to Fund Related Liabilities	(21,748)	-	(21,748)
<i>BALANCE AT DECEMBER 31, 2016</i>	<i>\$ 11,308</i>	<i>\$ -</i>	<i>\$ 11,308</i>

Additionally, SOSC holds an unemployment insurance deposit amount of \$78,632, to be used against future claims, as of December 31, 2016.

NOTE 8 - DEFERRED REVENUE

At December 31, 2016, SOSC had \$488,566 in deferred revenue associated funds appropriated by the State of California for use in creating and promoting social inclusion between individuals and students with and without intellectual disabilities through sports at state schools through December 31, 2017.

NOTE 9 - 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 10 - COMMITMENTS

SOSC leases equipment and office space under various operating leases expiring through February 2022. 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

2017	\$	430,090
2018		408,146
2019		414,655
2020		363,061
2021		50,121
Thereafter		<u>3,195</u>
TOTAL	\$	<u>1,669,268</u>

The rent and equipment rental expense under these leases for the year ended December 31, 2016 was \$410,857.

NOTE 11 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2016 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 5,191,356	\$ 880	\$ 75,721	\$ 5,267,957
Goods	329,634	80	175,351	505,065
Use of Facilities and Equipment	<u>340,026</u>	-	<u>123,084</u>	<u>463,110</u>
TOTAL CONTRIBUTED GOODS AND SERVICES	5,861,016	960	374,156	6,236,132
Less: Cost of Direct Benefits to Donors	<u>-</u>	<u>-</u>	<u>(301,058)</u>	<u>(301,058)</u>
CONTRIBUTED GOODS AND SERVICES (NET)	\$ 5,861,016	\$ 960	\$ 73,098	\$ 5,935,074

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

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31, 2016:

Time Restricted	\$	3,617
Games and Championships		351,636
Volunteer and Other Activities		56,302
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	\$	<u>411,555</u>

NOTE 13 - ENDOWMENTS

SOSC's Endowment fund consists of donor-restricted endowment funds. The earnings of SOSC's endowment fund support the Team Wellness program. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor imposed restrictions.

At December 31, 2016, SOSC's endowment net assets composition by type of fund was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ 142	\$ 75,000	\$ 75,142

For the year ended December 31, 2016, SOSC's endowment net assets changed as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ -	\$ -
Contributions	-	75,000	75,000
Investment Income	142	-	142
<i>ENDOWMENT NET ASSETS - END OF YEAR</i>	142	75,000	75,142
Endowment Pledges Receivable	-	100,000	100,000
<i>TOTAL ENDOWMENT ASSETS</i>	\$ 142	\$ 175,000	\$ 175,142

Investment income related to SOSC's permanently restricted endowments is recorded as temporarily restricted revenue unless otherwise directed by the donor's gift instrument.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 14 - 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 \$211,838 for the year ended December 31, 2016. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,327,053 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2016. Contributions and pledges receivable include \$365,122 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 sets 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. In connection with the agreement, SOSC received payments totaling \$209,052 from the GOC during the year ended December 31, 2016, including \$100,000 that was included in related party receivable at December 31, 2015. The GOC subsequently ceased operations and no additional funds are expected.

NOTE 15 - 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 \$73,916 to the plan for the year ended December 31, 2016.