

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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. 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

May 7, 2019
Los Angeles, California

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

STATEMENT OF FINANCIAL POSITION
December 31, 2018
With Summarized Totals at December 31, 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 1,598,810	\$ 1,144,595
Investments	6,137,567	6,709,933
Contributions and Pledges Receivable	767,718	548,891
Prepaid Expenses and Deposits	371,054	550,937
Property and Equipment (Net)	<u>33,700</u>	<u>61,052</u>
<i>TOTAL ASSETS</i>	<u>\$ 8,908,849</u>	<u>\$ 9,015,408</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES:		
Accounts Payable	\$ 218,478	\$ 276,860
Accrued Liabilities	341,689	375,731
Deferred Revenue	<u>500,000</u>	<u>500,000</u>
<i>TOTAL LIABILITIES</i>	1,060,167	1,152,591
NET ASSETS:		
Without Donor Restrictions	7,241,154	7,333,113
With Donor Restrictions	<u>607,528</u>	<u>529,704</u>
<i>TOTAL NET ASSETS</i>	<u>7,848,682</u>	<u>7,862,817</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 8,908,849</u>	<u>\$ 9,015,408</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, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SPECIAL EVENTS:				
Special Events	\$ 3,565,372	\$ -	\$ 3,565,372	\$ 3,384,680
Less: Cost of Direct Benefits to Donors	(958,699)	-	(958,699)	(1,013,820)
Dream Raffles	6,223,836	-	6,223,836	6,198,295
Less: Cost of Direct Benefits to Donors	(1,370,163)	-	(1,370,163)	(2,005,077)
NET REVENUES FROM SPECIAL EVENTS	7,460,346	-	7,460,346	6,564,078
REVENUES AND SUPPORT:				
Contributed Goods and Services	6,470,768	-	6,470,768	6,392,723
Contributions	5,466,304	233,988	5,700,292	5,001,263
Loss from Uncollectible Pledges Receivable	-	-	-	(100,000)
Direct Marketing	926,445	-	926,445	972,525
TOTAL REVENUES AND SUPPORT	12,863,517	233,988	13,097,505	12,266,511
OTHER INCOME:				
Investment Return (Net)	(78,841)	2,100	(76,741)	791,843
Other Income	86,527	-	86,527	78,625
Net Assets Released from:				
Purpose Restrictions	154,647	(154,647)	-	-
Time Restrictions	3,617	(3,617)	-	-
TOTAL OTHER INCOME	165,950	(156,164)	9,786	870,468
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	20,489,813	77,824	20,567,637	19,701,057
EXPENSES:				
Program Services	15,256,153	-	15,256,153	16,112,454
Management and General	1,828,742	-	1,828,742	305,740
Fundraising	3,496,877	-	3,496,877	2,913,180
TOTAL EXPENSES	20,581,772	-	20,581,772	19,331,374
CHANGE IN NET ASSETS	(91,959)	77,824	(14,135)	369,683
Net Assets - Beginning of Year	7,333,113	529,704	7,862,817	7,493,134
NET ASSETS - END OF YEAR	\$ 7,241,154	\$ 607,528	\$ 7,848,682	\$ 7,862,817

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, 2018

With Summarized Totals for the Year Ended December 31, 2017

	2018							2017
	Program Services				Management and General	Fundraising	Total	Total
	Sports and Health Programs	Unified Champion Schools	Other Program Services	Total Program Services				
Salaries	\$ 2,332,191	\$ 739,766	\$ 703,127	\$ 3,775,084	\$ 467,912	\$ 497,544	\$ 4,740,540	\$ 4,987,407
Temporary Labor	30,514	9,679	19,452	59,645	6,122	6,510	72,277	55,057
Payroll Taxes	173,014	54,880	52,162	280,056	34,712	36,911	351,679	370,936
Employee Benefits	317,876	118,431	114,296	550,603	63,694	67,727	682,024	686,669
TOTAL PERSONNEL COSTS	2,853,595	922,756	889,037	4,665,388	572,440	608,692	5,846,520	6,100,069
Contributed Goods and Services (Note 11)	6,096,886	191,116	181,650	6,469,652	1,116	122,547	6,593,315	6,439,533
Transportation	324,100	216,657	15,226	555,983	2,628	24,496	583,107	492,766
Facilities Rental	382,635	44,662	10,310	437,607	4,511	4,797	446,915	424,275
Professional Services	149,408	49,722	39,555	238,685	136,564	61,008	436,257	390,792
Rent	189,261	60,033	57,060	306,354	37,972	40,376	384,702	374,578
Lodging	295,865	25,490	27,299	348,654	1,024	39	349,717	278,457
Event Supplies	135,905	147,253	1,957	285,115	10	31,483	316,608	538,685
Uniforms	146,784	99,340	435	246,559	37	52,972	299,568	236,637
Grants Made	-	264,468	-	264,468	-	-	264,468	208,614
Meals	178,120	39,129	38,639	255,888	2,810	1,770	260,468	273,392
Equipment Rental	205,182	25,997	2,290	233,469	-	-	233,469	235,721
Accreditation Fees (Note 14)	143,579	45,543	43,287	232,409	-	-	232,409	209,519
Insurance	111,799	35,462	33,706	180,967	3,334	5,002	189,303	179,038
Telephone	58,138	17,869	17,855	93,862	11,236	11,949	117,047	121,432
Awards and Recognition	51,302	50,881	866	103,049	11	2,032	105,092	85,830
Equipment and Equipment Service	47,531	15,077	14,330	76,938	9,378	10,674	96,990	138,286
Software Expense	28,264	8,965	8,521	45,750	5,762	30,479	81,991	90,174
Printing	16,785	47,737	6,961	71,483	2,039	3,442	76,964	41,180
Bank Charges	-	-	-	-	5,235	71,264	76,499	85,870
Postage and Delivery	9,901	14,957	4,043	28,901	1,446	8,604	38,951	42,972
Office Supplies	17,180	5,487	5,821	28,488	4,401	4,221	37,110	53,456
Depreciation	16,898	5,360	5,094	27,352	-	-	27,352	41,936
Utilities	11,050	3,505	3,332	17,887	2,217	2,357	22,461	19,550
Event Fees	9,898	170	2,583	12,651	86	2,891	15,628	85,356
Photography	4,278	1,357	1,290	6,925	4	7,901	14,830	38,729
Taxes and Licenses	6,181	1,961	1,864	10,006	1,240	1,844	13,090	2,062
Dues and Publications	4,696	1,490	1,416	7,602	706	819	9,127	8,340
Miscellaneous Expense	2,509	796	756	4,061	504	535	5,100	5,000
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	11,497,730	2,343,240	1,415,183	15,256,153	806,711	1,112,194	17,175,058	17,242,249
				89%	5%	6%	100%	
Raffle Expense	-	-	-	-	1,022,031	2,384,683	3,406,714	2,089,125
TOTAL FUNCTIONAL EXPENSES	\$ 11,497,730	\$ 2,343,240	\$ 1,415,183	\$ 15,256,153	\$ 1,828,742	\$ 3,496,877	\$ 20,581,772	\$ 19,331,374
				74%	9%	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, 2018

With Summarized Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (14,135)	\$ 369,683
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:		
Depreciation	27,352	41,936
Realized and Unrealized Gains on Investments	219,964	(645,539)
Loss from Uncollectible Pledges Receivable	-	100,000
Donated Stock	(68,629)	(63,310)
Proceeds from Sale of Donated Stock	57,587	63,310
Decrease (Increase) in:		
Contributions and Pledges Receivable	(218,827)	368,694
Prepaid Expenses and Deposits	179,883	(212,239)
Increase (Decrease) in:		
Accounts Payable	(58,382)	8,925
Accrued Liabilities	(34,042)	(133,712)
Deferred Revenue	-	11,434
	<u>90,771</u>	<u>(90,818)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	90,771	(90,818)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	3,100,816	2,189,152
Purchase of Investments	(2,600,816)	(2,439,026)
Reinvested Dividends and Interest	(136,556)	(143,220)
Purchase of Property and Equipment	-	(20,332)
	<u>363,444</u>	<u>(413,426)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	363,444	(413,426)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	454,215	(504,244)
Cash and Cash Equivalents - Beginning of Year	<u>1,144,595</u>	<u>1,648,839</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,598,810</u>	<u>\$ 1,144,595</u>

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, 2018

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 49 years, the positive effect of Special Olympics Southern California (SOSC) has had an impact not only on the lives of its athletes, but the lives of their families, volunteers and the communities in which they live. It is the goal of SOSC to share the talents of all individuals with intellectual disabilities so they have the chance to become productive members of the community and spread acceptance and inclusion.

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 37,788 athletes with the help of 19,848 volunteers. Over the last decade, SOSC has quadrupled the athletes it serves. Athletes train year-round and can choose from 12 sports at no cost, including flag football which was added as an official sport in 2018.

The program exists through the work of staff and volunteers in nine regional offices. Those regions hold 201 competitions throughout the year, in addition to many fundraisers supporting those events. Along with competing locally, athletes have the opportunity to compete across the United States and globally. A total of 66 athletes competed at the 2018 Special Olympics USA Games in Seattle, and in 2019, 6 athletes will travel to Abu Dhabi to compete at the Special Olympics World Summer Games.

School-based programs continue to grow with 900 school partners. Nearly eighty percent of SOSC's athletes are currently participating through the School Program. This program involves the entire school, including people with and without intellectual disabilities, in sports, health and wellness, leadership, and advocacy activities. The average age of a school program athlete is 12 years of age, which has lowered the overall average age of participating athletes to 15.1 years of age.

The Young Athletes program now has 7,867 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 and in the community. SOSC now has two athletes serving on the Board of Directors and 105 Global Messenger athletes who help spread the word about Special Olympics to civic and community groups, corporations, and volunteers.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - ORGANIZATION (continued)

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.

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 or grantor 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 (or certain grantor) restrictions.
- **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 statements of activities as net assets released from restrictions.

(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, 2018 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 net assets without donor restrictions unless their use is temporarily or permanently restricted by donor stipulations or by law.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 support with donor restrictions 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, 2018.

(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.

(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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 \$29.09 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2017 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.

(l) ADVERTISING COSTS

Advertising costs were expensed as incurred. Advertising costs for the year ended December 31, 2018 were \$203,621 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.

(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, 2017 from which the summarized information was derived.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) RECLASSIFICATION

For comparability, certain December 31, 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2018.

(r) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. SOSOC has implemented this ASU during the year ended December 31, 2018.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions and various other narrow aspects, as identified and addressed in such updates. For SOSOC, the ASU and subsequent amendments will be effective for the year ended December 31, 2019.

In February 2016, FASB issued 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 SOSOC, the ASU will be effective for the year ended December 31, 2020.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For SOSOC, the ASU will be effective for the year ended December 31, 2019.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 7, 2019, 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

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, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2018	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	\$ 4,191,433	\$ 4,191,433	\$ -	\$ -
Fixed Income	676,920	676,920	-	-
International	331,224	331,224	-	-
Small Cap Growth	248,859	248,859	-	-
Large Cap Growth	689,131	689,131	-	-
TOTAL MUTUAL FUND INVESTMENTS	\$ 6,137,567	\$ 6,137,567	\$ -	\$ -

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, 2018.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

All contributions and pledges receivable are deemed to be fully collectible at December 31, 2018; therefore, no allowance for doubtful pledges has been recorded. Contributions and pledges receivable at December 31, 2018 are expected to be collected in their entirety within one year. Refer to Note 9 for conditional contributions that have not met the criteria to be recognized as support.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 consisted of the following:

Computer Equipment	\$	469,421
Vehicles		182,824
Furniture and Equipment		60,051
TOTAL		712,296
Less: Accumulated Depreciation		(678,596)
PROPERTY AND EQUIPMENT (NET)	\$	33,700

Depreciation expense for the year ended December 31, 2018 was \$27,352.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2018 consist of the following:

Accrued Vacation	\$	210,055
Accrued Payroll		106,712
Accrued Unemployment		24,922
TOTAL ACCRUED LIABILITIES	\$	341,689

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, 2018 of \$24,922, included in accrued liabilities, represents estimated future claims arising from current and past employees. Unemployment expense for the year ended December 31, 2018 was \$64,353.

	Gross Claims Liability		Estimated Insurance Recoveries	Net Claims Liability
Balance at January 1, 2018	\$ 14,058		\$ -	\$ 14,058
Self-Insurance Expenses Incurred (Net)	64,353		-	64,353
Payments Made to Fund Related Liabilities	(53,489)		-	(53,489)
BALANCE AT DECEMBER 31, 2018	\$ 24,922		\$ -	\$ 24,922

Additionally, SOSC holds an unemployment insurance deposit amount of \$29,500, to be used against future claims, as of December 31, 2018.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - DEFERRED REVENUE

At December 31, 2018, SOSC had \$500,000 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, 2019.

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.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

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

2019	\$	475,162
2020		399,062
2021		49,971
2022		<u>2,130</u>
TOTAL	\$	<u><u>926,325</u></u>

The rent and equipment rental expense under these leases for the year ended December 31, 2018 was \$465,675.

(b) LEGAL PROCEEDINGS

In the normal course of business, SOSC may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a material impact on the financial statements of SOSC as of December 31, 2018.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2018 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 5,820,414	\$ 1,022,783	\$ 106,831	\$ 6,950,028
Goods	310,328	364	146,428	457,120
Use of Facilities and Equipment	338,910	-	162,159	501,069
TOTAL CONTRIBUTED GOODS AND SERVICES	6,469,652	1,023,147	415,418	7,908,217
Less: Cost of Direct Benefits to Donors	-	-	(292,871)	(292,871)
Less: Other Dream Raffle Management Services	-	(1,022,031)	-	(1,022,031)
CONTRIBUTED GOODS AND SERVICES (NET)	<u>\$ 6,469,652</u>	<u>\$ 1,116</u>	<u>\$ 122,547</u>	<u>\$ 6,593,315</u>

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

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Subject to Expenditure for Specified Purpose:	
Sports Training, Games and Championships	\$ 172,326
Health Initiatives	157,148
Other Activities	194,967
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	524,441
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowment	75,000
Unspent Endowment Earnings	8,087
TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY	83,087
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 607,528</u>

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 12 - 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, 2018:

Expiration of time restrictions:	\$	3,617
Satisfaction of purpose restrictions:		
Sports Training, Games and Championships		86,535
Health Initiatives		67,112
Other Activities		1,000
		<hr/>
TOTAL SATISFACTION OF PURPOSE RESTRICTIONS		154,647
		<hr/>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	158,264
		<hr/> <hr/>

NOTE 13 - ENDOWMENTS

SOSC has a donor-restricted endowment fund, the earnings of which 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.

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-quarters moving average of the market value of the total endowment portfolio.

At December 31, 2018, SOSC's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund at December 31, 2018	With Donor Restrictions
Donor-Restricted	\$ 83,087
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Changes in Endowment Net Assets for the Year Ended December 31, 2018	
Endowment Net Assets - Beginning of Year	\$ 84,835
Investment Return (Net)	(1,748)
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ENDOWMENT NET ASSETS - END OF YEAR	\$ 83,087
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SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13 - ENDOWMENTS (continued)

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.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). SOSC had no underwater endowments at December 31, 2018.

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 \$232,409 for the year ended December 31, 2018. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,447,523 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2018. Contributions and pledges receivable at December 31, 2018 include \$347,528 due from SOI.

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 \$84,080 to the plan for the year ended December 31, 2018.

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by SOSC at December 31, 2018 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, 2018	
Cash and Cash Equivalents	\$ 1,598,810
Investments	6,137,567
Contributions and Pledges Receivable (Net)	<u>767,718</u>
TOTAL FINANCIAL ASSETS	
AT DECEMBER 31, 2018	8,504,095
Less Amounts Not Available to Be Used within	
One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held for Perpetual Endowments	(75,000)
Funds Held with Purpose Restrictions	(345,398)
Pledges Restricted by Purpose	<u>(187,130)</u>
FINANCIAL ASSETS AVAILABLE TO MEET	
GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 7,896,567

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

SOSC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SOSC is substantially supported by unrestricted contributions. As part of SOSC'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.

SOSC has various sources of liquid financial resources at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, SOSC considers funds and pledges restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

SOSC's investments are held for operations and endowments. The entire investment portfolio consists of highly liquid investments.