

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7

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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the World Health Organization officially designated COVID-19 as a pandemic in March 2020, and as a result, businesses across the world have taken measures to slow the spread of the virus. This has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to SOSC are uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

To the Board of Directors
Special Olympics Southern California, Inc.
Page 2

Report on Summarized Comparative Information

We have previously audited SOSOC's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

May 26, 2020
Los Angeles, California

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

STATEMENT OF FINANCIAL POSITION
December 31, 2019
With Summarized Totals at December 31, 2018

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 2,077,591	\$ 1,598,810
Investments	8,356,116	6,137,567
Contributions and Pledges Receivable	1,698,303	767,718
Prepaid Expenses and Deposits	301,445	371,054
Property and Equipment (Net)	18,238	33,700
<i>TOTAL ASSETS</i>	\$ 12,451,693	\$ 8,908,849
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 237,323	\$ 218,478
Accrued Liabilities	391,824	341,689
Deferred Revenue	-	500,000
<i>TOTAL LIABILITIES</i>	629,147	1,060,167
NET ASSETS:		
Without Donor Restrictions	8,746,056	7,241,154
With Donor Restrictions	3,076,490	607,528
<i>TOTAL NET ASSETS</i>	11,822,546	7,848,682
 <i>TOTAL LIABILITIES AND NET ASSETS</i>	 \$ 12,451,693	 \$ 8,908,849

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, 2019
With Summarized Totals for the Year Ended December 31, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SPECIAL EVENTS:				
Special Events	\$ 3,097,101	\$ -	\$ 3,097,101	\$ 3,565,372
Less: Cost of Direct Benefits to Donors	(993,516)	-	(993,516)	(958,699)
Dream Raffles	6,241,072	-	6,241,072	6,223,836
Less: Cost of Direct Benefits to Donors	(1,729,114)	-	(1,729,114)	(1,370,163)
NET REVENUES FROM SPECIAL EVENTS	6,615,543	-	6,615,543	7,460,346
REVENUES AND SUPPORT:				
Contributed Goods and Services	8,033,810	-	8,033,810	6,470,768
Contributions	5,572,774	2,681,550	8,254,324	5,700,292
Direct Marketing	928,716	-	928,716	926,445
TOTAL REVENUES AND SUPPORT	14,535,300	2,681,550	17,216,850	13,097,505
OTHER INCOME:				
Investment Return (Net)	753,028	16,206	769,234	(76,741)
Other Income	81,821	-	81,821	86,527
Net Assets Released from:				
Purpose Restrictions	223,794	(223,794)	-	-
Time Restrictions	5,000	(5,000)	-	-
TOTAL OTHER INCOME	1,063,643	(212,588)	851,055	9,786
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	22,214,486	2,468,962	24,683,448	20,567,637
EXPENSES:				
Program Services	16,383,788	-	16,383,788	15,256,153
Management and General	919,061	-	919,061	1,828,742
Fundraising	3,406,735	-	3,406,735	3,496,877
TOTAL EXPENSES	20,709,584	-	20,709,584	20,581,772
CHANGE IN NET ASSETS	1,504,902	2,468,962	3,973,864	(14,135)
Net Assets - Beginning of Year	7,241,154	607,528	7,848,682	7,862,817
NET ASSETS - END OF YEAR	<u>\$ 8,746,056</u>	<u>\$ 3,076,490</u>	<u>\$ 11,822,546</u>	<u>\$ 7,848,682</u>

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, 2019
With Summarized Totals for the Year Ended December 31, 2018

	2019								2018 Total
	Program Services				Management and General	Fundraising	Total		
	Sports and Health Programs	Unified Champion Schools	Other Program Services	Total Program Services					
Salaries	\$ 2,442,683	\$ 686,244	\$ 631,436	\$ 3,760,363	\$ 435,247	\$ 542,654	\$ 4,738,264	\$ 4,740,540	
Temporary Labor	44,210	12,420	18,735	75,365	8,275	9,822	93,462	72,277	
Payroll Taxes	178,263	50,081	46,081	274,425	31,763	39,602	345,790	351,679	
Employee Benefits	248,362	100,171	84,378	432,911	51,793	56,096	540,800	682,024	
TOTAL PERSONNEL COSTS	2,913,518	848,916	780,630	4,543,064	527,078	648,174	5,718,316	5,846,520	
Contributed Goods and Services (Note 9)	7,372,377	160,643	499,277	8,032,297	1,513	15,547	8,049,357	6,593,315	
Transportation	254,042	211,782	15,238	481,062	1,549	33,021	515,632	583,107	
Rent	218,212	61,304	56,408	335,924	38,882	48,477	423,283	384,702	
Facilities Rental	374,486	17,124	12,381	403,991	5,041	5,420	414,452	446,915	
Professional Services	138,228	44,203	33,859	216,290	103,275	83,686	403,251	436,257	
Uniforms	123,437	103,951	144	227,532	-	80,246	307,778	299,568	
Lodging	231,006	36,871	27,539	295,416	13	252	295,681	349,717	
Event Supplies	158,702	90,573	3,816	253,091	3	14,446	267,540	316,608	
Accreditation Fees (Note 12)	156,212	43,886	40,381	240,479	-	-	240,479	232,409	
Grants Made	-	233,199	-	233,199	-	-	233,199	264,468	
Equipment Rental	192,207	24,892	2,082	219,181	-	-	219,181	233,469	
Insurance	119,087	33,456	30,784	183,327	1,748	4,729	189,804	189,303	
Equipment and Equipment Service	92,148	25,888	23,820	141,856	16,330	21,054	179,240	96,990	
Meals	127,980	13,104	26,778	167,862	183	2,983	171,028	260,468	
Telephone	61,895	17,839	16,169	95,903	11,029	13,750	120,682	117,047	
Software Expense	35,623	10,008	9,209	54,840	6,348	27,755	88,943	81,991	
Awards and Recognition	60,452	10,133	2,651	73,236	9	1,444	74,689	105,092	
Bank Charges	-	-	-	-	4,341	68,457	72,798	76,499	
Office Supplies	21,130	5,823	5,268	32,221	3,094	4,264	39,579	37,110	
Event Fees	30,477	519	3,595	34,591	170	290	35,051	15,628	
Printing	18,006	3,137	7,271	28,414	1,251	2,933	32,598	76,964	
Photography	13,189	3,705	3,409	20,303	-	10,168	30,471	14,830	
Postage and Delivery	9,138	5,415	1,973	16,526	1,205	8,740	26,471	38,951	
Dues and Publications	4,235	1,190	1,095	6,520	307	16,422	23,249	9,127	
Utilities	11,794	3,314	3,049	18,157	2,102	2,620	22,879	22,461	
Depreciation	10,044	2,822	2,596	15,462	-	-	15,462	27,352	
Taxes and Licenses	6,489	1,823	1,677	9,989	1,156	3,302	14,447	13,090	
Miscellaneous Expense	1,984	557	514	3,055	354	441	3,850	5,100	
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	12,756,098	2,016,077	1,611,613	16,383,788	726,981	1,118,621	18,229,390	17,175,058	
				90%	4%	6%	100%		
Raffle Expense	-	-	-	-	192,080	2,288,114	2,480,194	3,406,714	
TOTAL FUNCTIONAL EXPENSES	\$ 12,756,098	\$ 2,016,077	\$ 1,611,613	\$ 16,383,788	\$ 919,061	\$ 3,406,735	\$ 20,709,584	\$ 20,581,772	
				79%	4%	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, 2019

With Summarized Totals for the Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,973,864	\$ (14,135)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	15,462	27,352
Realized and Unrealized Gains on Investments	(574,225)	219,964
Donated Stock	(15,706)	(68,629)
Proceeds from Sale of Donated Stock	15,706	57,587
Decrease (Increase) in:		
Contributions and Pledges Receivable	(930,585)	(218,827)
Prepaid Expenses and Deposits	69,609	179,883
Increase (Decrease) in:		
Accounts Payable	18,845	(58,382)
Accrued Liabilities	50,135	(34,042)
Deferred Revenue	(500,000)	-
	<u>2,123,105</u>	<u>90,771</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,123,105	90,771
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	8,980,683	3,100,816
Purchase of Investments	(10,439,670)	(2,600,816)
Reinvested Dividends and Interest	(185,337)	(136,556)
	<u>(1,644,324)</u>	<u>363,444</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,644,324)	363,444
NET INCREASE IN CASH AND CASH EQUIVALENTS	478,781	454,215
Cash and Cash Equivalents - Beginning of Year	<u>1,598,810</u>	<u>1,144,595</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,077,591</u>	<u>\$ 1,598,810</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, 2019

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 50 years, the positive effect of Special Olympics Southern California (SOSC) has had an impact not only on the lives of its athletes, but also on the lives of their families, volunteers, and the communities in which they live. It is the goal of SOSC to provide individuals with intellectual disabilities a platform to showcase their talents and skills 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 38,157 athletes with the help of 17,945 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 held 231 competitions the year ended December 31, 2019, in addition to many fundraisers supporting those events. During the year ended December 31, 2019, SOSC saw a 13% increase (30 events) in the amount of competitions and festivals held for athletes when compared to 2018. Along with competing locally, athletes have the opportunity to compete across the United States and globally. A total of six athletes competed at the 2019 Special Olympics World Summer Games in Abu Dhabi.

SOSC continues to serve tens of thousands of students in 895 schools through its Unified Champion Schools Program. More than eighty percent of SOSC's athletes are currently participating through the Unified Champion Schools 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 Unified Champion Schools Program athlete is 12.2 years of age, which has lowered the overall average age of participating athletes to 15 years of age.

The Young Athletes program now has 7,923 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 100 Global Messenger athletes, who helped spread the word about Special Olympics by making 903 presentations to civic and community groups, corporations, and volunteers in 2019.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - ORGANIZATION (continued)

In addition, SOSOC 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, MedFest, 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. Along with health and wellness programs, Kaiser Permanente provides sideline care for athletes at competitions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

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

(b) NET ASSETS

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

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

SOSOC 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, 2019 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 restricted by donor stipulations or by law.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

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

Contributions and pledges receivable are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and contributions and pledges receivable and are adjusted annually. At December 31, 2019, all contributions and pledges receivable are due and expected to be collected in full within the following year, and, as a result, no discount or allowance for uncollectible pledges receivable was established.

A portion of SOSC's revenue is derived from state grants, which may be conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when SOSC has satisfied the specific performance requirements, if any, or incurred expenditures in compliance with specific contract or grant provisions, if applicable. SOSC has elected to adopt a policy whereby donor-restricted contributions, whose restrictions are met in the same reporting period, are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable advances in the statement of financial position. SOSC had no conditional grants at December 31, 2019.

(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, 2019.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) SELF INSURANCE

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

(i) 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 \$29.95 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2018 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.

(k) INCOME TAXES

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

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, SOSC recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2019, SOSC performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing SOSC's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings 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.

(m) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(n) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SOSC's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

(o) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standards Update (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. SOSC implemented this ASU during the year ended December 31, 2019. There was no impact on SOSC's financial statements as a result of the implementation of the ASU.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) NEW ACCOUNTING PRONOUNCEMENTS (continued)

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. SOSC implemented this ASU during the year ended December 31, 2019.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which simplifies the fair value disclosures of nonpublic entities. As permitted by the standard, SOSC early adopted the ASU during 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 SOSC, the ASU will be effective for the year ending December 31, 2022.

(p) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 26, 2020, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as described in Note 14.

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).

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table presents information about SOSOC's assets that are measured at fair value on a recurring basis at December 31, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2019	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	\$ 3,241,775	\$ 3,241,775	\$ -	\$ -
Fixed Income	2,149,663	2,149,663	-	-
International Equity	615,004	615,004	-	-
Small Cap Growth Equity	460,336	460,336	-	-
Large Cap Growth Equity	1,889,338	1,889,338	-	-
TOTAL INVESTMENTS	\$ 8,356,116	\$ 8,356,116	\$ -	\$ -

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

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 consisted of the following:

Computer Equipment	\$ 469,421
Vehicles	182,824
Furniture and Equipment	60,051
TOTAL	712,296
Less: Accumulated Depreciation	(694,058)
PROPERTY AND EQUIPMENT (NET)	\$ 18,238

Depreciation expense for the year ended December 31, 2019 was \$15,462.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2019 consist of the following:

Accrued Vacation	\$	233,349
Accrued Payroll		131,650
Accrued Unemployment		26,825
TOTAL ACCRUED LIABILITIES	\$	391,824

NOTE 6 - 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, 2019 of \$26,825, included in accrued liabilities, represents estimated future claims arising from current and past employees. Unemployment expense for the year ended December 31, 2019 was \$28,725.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at January 1, 2019	\$ 24,922	\$ -	\$ 24,922
Self-Insurance Expenses Incurred (Net)	28,725	-	28,725
Payments Made to Fund Related Liabilities	(26,822)	-	(26,822)
BALANCE AT DECEMBER 31, 2019	\$ 26,825	\$ -	\$ 26,825

Additionally, SOSC holds an unemployment insurance deposit amount of \$53,678, to be used against future claims as of December 31, 2019.

NOTE 7 - 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, 2019

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

SOSC leases equipment and office space under various operating leases expiring through October 2024. 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

2020	\$	477,141
2021		124,626
2022		112,305
2023		74,172
2024		66,172
TOTAL	\$	854,416

The rent and equipment rental expense under these leases for the year ended December 31, 2019 was \$503,920.

(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, 2019.

NOTE 9 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2019 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 7,482,050	\$ 193,108	\$ 607,104	\$ 8,282,262
Goods	155,486	17	187,342	342,845
Use of Facilities and Equipment	394,761	468	123,951	519,180
TOTAL CONTRIBUTED GOODS AND SERVICES	8,032,297	193,593	918,397	9,144,287
Less: Cost of Direct Benefits to Donors	-	-	(351,578)	(351,578)
Less: Other Dream Raffle Management Services	-	(192,080)	(551,272)	(743,352)
CONTRIBUTED GOODS AND SERVICES (NET)	\$ 8,032,297	\$ 1,513	\$ 15,547	\$ 8,049,357

The fundraising and Dream Raffle 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, 2019

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to the Passage of Time	\$ 2,500,000
Subject to Expenditure for Specified Purpose:	
Unified Champion School Programs	64,419
Health Initiatives	213,811
Other Activities	<u>203,694</u>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	481,924
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowment	75,000
Unspent Endowment Earnings	<u>19,566</u>
TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY	<u>94,566</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,076,490</u>

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, 2019:

Expiration of Time Restrictions	\$ 5,000
Satisfaction of Purpose Restrictions:	
Sports Training and Competitions	53,117
Unified Champion School Programs	114,209
Health Initiatives	55,468
Other Activities	<u>1,000</u>
TOTAL RELEASED DUE TO SATISFACTION OF PURPOSE RESTRICTIONS	<u>223,794</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 228,794</u>

NOTE 11 - 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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 11 - ENDOWMENTS (continued)

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, 2019, SOSC's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund at December 31, 2019	With Donor Restrictions
Donor-Restricted	\$ 94,566
Changes in Endowment Net Assets for the Year Ended December 31, 2019	
Endowment Net Assets - Beginning of Year	\$ 83,087
Investment Return (Net)	11,479
<i>ENDOWMENT NET ASSETS - END OF YEAR</i>	\$ 94,566

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, 2019.

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 \$240,479 for the year ended December 31, 2019. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,477,282 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2019. Contributions and pledges receivable at December 31, 2019 include \$384,828 due from SOI.

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 \$76,743 to the plan for the year ended December 31, 2019.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by SOSC at December 31, 2019 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, 2019	
Cash and Cash Equivalents	\$ 2,077,591
Investments	8,356,116
Contributions and Pledges Receivable (Net)	<u>1,698,303</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2019	12,132,010
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held for Perpetual Endowments And Unspent Endowment Earnings	(94,566)
Funds Held with Purpose and Time Restrictions	<u>(481,924)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 11,555,520</u>

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. SOSC's investments are held for operations and endowments. The entire investment portfolio consists of highly liquid investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, SOSC considers funds and pledges restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

Subsequent to year-end, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world, causing business disruption and significant market fluctuations, which may negatively impact SOSC's operations. The scope and duration of this impact cannot be reasonably estimated at this time.

In April 2020, SOSC received approval from a lending institution for funding of \$1,002,400 under the Payroll Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration guidance.