

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

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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



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THE GLOBAL ADVISORY
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**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Special Olympics Southern California, Inc. (SOSC), a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SOSC as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SOSC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SOSC's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited SOSC's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

June 23, 2022
Los Angeles, California

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2021

With Summarized Totals at December 31, 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 7,525,424	\$ 3,741,130
Investments	12,565,660	8,724,646
Contributions and Pledges Receivable	1,559,935	498,736
Prepaid Expenses and Deposits	361,733	276,323
Property and Equipment (Net)	<u>2,030</u>	<u>7,535</u>
TOTAL ASSETS	<u>\$ 22,014,782</u>	<u>\$ 13,248,370</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES:		
Accounts Payable	\$ 76,478	\$ 88,058
Accrued Liabilities	456,514	475,882
Paycheck Protection Program Loan	<u>900,000</u>	<u>1,002,400</u>
TOTAL LIABILITIES	1,432,992	1,566,340
NET ASSETS:		
Without Donor Restrictions	19,250,778	11,386,775
With Donor Restrictions	<u>1,331,012</u>	<u>295,255</u>
TOTAL NET ASSETS	<u>20,581,790</u>	<u>11,682,030</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,014,782</u>	<u>\$ 13,248,370</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, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SPECIAL EVENTS:				
Special Events	\$ 1,212,083	\$ -	\$ 1,212,083	\$ 1,222,439
Less: Cost of Direct Benefits to Donors	(103,686)	-	(103,686)	(186,693)
Dream Raffles	7,197,171	-	7,197,171	5,954,169
Less: Cost of Direct Benefits to Donors	(1,288,610)	-	(1,288,610)	(1,573,100)
NET REVENUES FROM SPECIAL EVENTS	7,016,958	-	7,016,958	5,416,815
REVENUES AND SUPPORT:				
Contributed Goods and Services	810,013	-	810,013	757,410
Contributions	6,504,498	1,194,463	7,698,961	3,871,310
Direct Marketing	906,340	-	906,340	829,366
TOTAL REVENUES AND SUPPORT	8,220,851	1,194,463	9,415,314	5,458,086
OTHER INCOME:				
Investment Return (Net)	830,551	12,515	843,066	375,478
Other Income	1,766,272	-	1,766,272	16,861
Net Assets Released from: Donor Restrictions	171,221	(171,221)	-	-
TOTAL OTHER INCOME	2,768,044	(158,706)	2,609,338	392,339
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	18,005,853	1,035,757	19,041,610	11,267,240
EXPENSES:				
Program Services	6,485,371	-	6,485,371	7,320,517
Management and General	647,422	-	647,422	884,616
Fundraising	3,009,057	-	3,009,057	3,202,623
TOTAL EXPENSES	10,141,850	-	10,141,850	11,407,756
CHANGE IN NET ASSETS	7,864,003	1,035,757	8,899,760	(140,516)
Net Assets - Beginning of Year	11,386,775	295,255	11,682,030	11,822,546
NET ASSETS - END OF YEAR	\$ 19,250,778	\$ 1,331,012	20,581,790	\$ 11,682,030

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, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021							2020 Total
	Program Services				Management and General	Fundraising	Total	
	Sports and Health Programs	Unified Champion Schools	Other Program Services	Total Program Services				
Salaries and Temporary Labor	\$ 2,110,452	\$ 590,539	\$ 526,856	\$ 3,227,847	\$ 336,814	\$ 666,156	\$ 4,230,817	\$ 4,925,478
Payroll Taxes	155,430	43,492	38,739	237,661	24,806	49,061	311,528	355,815
Employee Benefits	200,396	59,227	69,438	329,061	31,981	63,254	424,296	528,158
TOTAL PERSONNEL COSTS	2,466,278	693,258	635,033	3,794,569	393,601	778,471	4,966,641	5,809,451
Contributed Goods and Services (Note 9)	598,233	57,388	134,851	790,472	6,563	19,813	816,848	782,055
Professional Services	92,663	47,934	80,018	220,615	105,477	188,727	514,819	445,488
Event Supplies and Fees	42,047	396,313	4,893	443,253	5,342	3,202	451,797	321,836
Rent	187,701	52,522	46,782	287,005	29,956	59,247	376,208	427,012
Insurance	121,055	33,873	30,171	185,099	1,654	3,522	190,275	192,149
Printing, Postage and Delivery	32,038	104,085	1,339	137,462	722	13,227	151,411	167,458
Accreditation Fees (Note 12)	98,163	27,467	24,466	150,096	-	-	150,096	161,394
Telephone and Utilities	71,986	20,766	17,946	110,698	11,424	22,722	144,844	159,615
Equipment, Equipment Service, and Rental	70,314	19,478	17,350	107,142	11,109	21,973	140,224	119,918
Software Expense	57,456	16,077	14,320	87,853	9,169	18,136	115,158	93,389
Facilities Rental	75,849	9,301	8,284	93,434	5,305	10,492	109,231	132,520
Other	42,270	4,579	5,074	51,923	3,529	69,620	125,072	118,334
Transportation	4,603	1,970	2,951	9,524	302	9,961	19,787	80,267
Uniforms	4,259	-	-	4,259	41	-	4,300	75,654
Meals	668	88	1,314	2,070	92	1,884	4,046	56,692
Grants Made	-	7,555	-	7,555	-	-	7,555	52,368
Lodging	120	751	1,471	2,342	-	871	3,213	37,152
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	3,965,703	1,493,405	1,026,263	6,485,371	584,286	1,221,868	8,291,525	9,232,752
				78%	7%	15%	100%	
Raffle Expense	-	-	-	-	63,136	1,787,189	1,850,325	2,175,004
TOTAL FUNCTIONAL EXPENSES	\$ 3,965,703	\$ 1,493,405	\$ 1,026,263	\$ 6,485,371	\$ 647,422	\$ 3,009,057	\$ 10,141,850	\$ 11,407,756
				64%	6%	30%	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, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 8,899,760	\$ (140,516)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Forgiveness of Paycheck Protection Program Loan	(1,002,400)	-
Realized and Unrealized Gains on Investments	(676,439)	(203,275)
Depreciation	5,505	10,339
Gain on Sale of Property and Equipment	-	(2,136)
Decrease (Increase) in:		
Contributions and Pledges Receivable	(1,061,199)	1,199,567
Prepaid Expenses and Deposits	(85,410)	25,122
Increase (Decrease) in:		
Accounts Payable	(11,580)	(149,265)
Accrued Liabilities	(19,368)	84,058
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,048,869</u>	<u>823,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	5,828,114	5,382,872
Purchase of Investments	(8,828,114)	(5,382,872)
Reinvested Dividends and Interest	(164,575)	(165,255)
Proceeds from Sale of Property and Equipment	-	2,500
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,164,575)</u>	<u>(162,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan	<u>900,000</u>	<u>1,002,400</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,784,294	1,663,539
Cash and Cash Equivalents - Beginning of Year	<u>3,741,130</u>	<u>2,077,591</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,525,424</u>	<u>\$ 3,741,130</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, 2021

NOTE 1 - ORGANIZATION

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

SOSC's mission is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, build independence, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. For 52 years, SOSC has had a positive 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.

In 2021, SOSC continued to weather the COVID-19 pandemic, with the number one priority being the health and safety of the athletes. While a multi-year pandemic is unprecedented and challenging, SOSC has been able to adapt and innovate towards a sustainable future. The pandemic has provided SOSC with an opportunity to review its current business model and evolve where needed.

SOSC never stopped preparing people with intellectual disabilities, one of the most vulnerable populations in the world, to succeed at life. While athletes participated in virtual programming, such as the Healthy Lifestyle Challenge, Move Across California, Virtual Sports Leagues, activities for Unified Champion Schools, and athlete leadership training, SOSC remained focused on the future, specifically:

- SOSC developed a detailed Return to Activity plan to safely get the athletes back on the sports fields.
- SOSC is re-envisioning Chapter Championships in an effort to maximize athlete participation in competitions and give more athletes the chance to experience the Games.
- SOSC is strengthening its Unified Champion Schools model.
- SOSC is creating a bridge to matriculate graduating students into SOSC's community programs.
- SOSC is expanding health initiatives into more communities.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - ORGANIZATION (continued)

SOSC did all of this with one thing in mind: empowering the athletes to live healthier and more fulfilling lives. Athletes and their families informed the SOSC staff that when they heard from us or participated in virtual programming, their mental health, self-esteem, and outlook on life improved.

Although sports are the main vehicle to achieve SOSC's mission and vision, its programs are about much more than sports training and competition. 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.

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 statement of activities as net assets released from donor restrictions.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021 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. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

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

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

(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, 2021, all contributions and pledges receivable are due and expected to be collected in full within one year, and, as a result, no discount or allowance for uncollectible contributions and pledges receivable was established.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE (continued)

During the year ended December 31, 2021, SOSC qualified for the Employee Retention Credit (ERC), a refundable payroll tax credit program enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Under the provisions of the ERC program, an eligible entity may take a credit against the employer's portion of Social Security taxes withheld on qualified wages subject to certain limitations. SOSC has accounted for the ERC as a conditional government grant and considers that it substantially met the various conditions prescribed in the ERC program for certain specific payroll quarters, and accordingly, has recognized ERC income totaling \$744,851, which is included in other income in the statement of activities for the year ended December 31, 2021. At December 31, 2021, the related receivable of \$744,851 is included in contributions and pledges receivable.

(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. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No impairment losses were recognized during the year ended December 31, 2021.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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) PAYCHECK PROTECTION PROGRAM LOANS

SOSC has elected to account for the forgivable loans received under the Paycheck Protection Program (PPP) provisions of the CARES Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and SOSC has been legally released or (2) SOSC repays the loan to the lender.

(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 \$33.61 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2020 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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2021, 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.

(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, 2020, from which the summarized information was derived.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) RECLASSIFICATIONS

For comparability, certain December 31, 2020 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2021.

(p) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, 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 provide additional information about the amounts recorded in the financial statements. For SOSC, the ASU will be effective for the year ending December 31, 2022.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For SOSC, the ASU will be effective for the year ending December 31, 2022.

(q) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2021 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 23, 2022, 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 Notes 7 and 8.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2021	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	\$ 601,322	\$ 601,322	\$ -	\$ -
Fixed Income	4,187,876	4,187,876	-	-
International Equity	1,145,741	1,145,741	-	-
Growth Equity:				
Small Cap	1,236,578	1,236,578	-	-
Large Cap	5,394,143	5,394,143	-	-
TOTAL INVESTMENTS	\$ 12,565,660	\$ 12,565,660	\$ -	\$ -

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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 consist of the following:

Computer Equipment	\$	26,407
Vehicles		135,526
Furniture and Equipment		<u>37,349</u>
TOTAL		199,282
Less: Accumulated Depreciation		<u>(197,252)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u>2,030</u>

Depreciation expense for the year ended December 31, 2021 was \$5,505.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2021 consist of the following:

Accrued Vacation	\$	243,335
Accrued Payroll		163,463
Accrued Unemployment Liability		<u>49,716</u>
TOTAL ACCRUED LIABILITIES	\$	<u>456,514</u>

SOSC has elected to be self-insured for the purposes of employee unemployment claims. The reserve for unemployment liability at December 31, 2021 of \$49,716, included in accrued liabilities, represents estimated future claims arising from current and past employees. Additionally, SOSC holds an unemployment insurance deposit amount of \$88,828, to be used against future claims, which is included in prepaid expenses and deposits at December 31, 2021.

NOTE 6 - 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, 2021

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOANS

In April 2020 SOSOC received a first draw PPP loan in the amount of \$1,002,400. The first draw PPP loan, administered by the Small Business Administration (SBA), bore interest at a fixed rate of 1.0% per annum, had a term of two years, and was unsecured and guaranteed by the SBA. Interest accrued on the loan beginning with the initial disbursement; however, payments of principal and interest were deferred until the lender's determination of the amount of forgiveness applied for by the borrower was approved by the SBA. In April 2021, SOSOC received forgiveness of the full amount of the first draw PPP loan, including accrued interest. Accordingly, SOSOC recognized loan forgiveness income, which is included in other income in the statement of activities, of \$1,002,400 during the year ended December 31, 2021.

In addition, in January 2021, SOSOC received a second draw PPP loan in the amount of \$900,000. The second draw PPP loan, administered by the SBA, bears interest at a fixed rate of 1.0% per annum, has a term of five years, is unsecured and guaranteed by the SBA and has the same other general loan terms as the first draw PPP loan.

Subsequent to year-end, in February 2022, SOSOC received forgiveness of the full amount of the second draw loan, including accrued interest. Accordingly, SOSOC will recognize loan forgiveness income of \$900,000 during the year ending December 31, 2022.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

SOSOC leases equipment and office space under various operating leases expiring through November 2026. Subsequent to year-end, SOSOC extended one of its lease agreements. Future minimum payments under these leases, including those subsequently extended, with initial or remaining terms of one year or more, consist of the following by year and in the aggregate:

Years Ending December 31

2022	\$ 415,395
2023	145,034
2024	86,413
2025	6,282
2026	5,355
TOTAL	\$ 658,479

The rent and equipment rental expense under these leases for the year ended December 31, 2021 was \$454,366.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

(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, 2021.

NOTE 9 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2021 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 737,993	\$ 68,301	\$ 21,248	\$ 827,542
Goods	21,228	1,398	6,953	29,579
Use of Facilities and Equipment	31,251	-	-	31,251
TOTAL CONTRIBUTED GOODS AND SERVICES	790,472	69,699	28,201	888,372
Less: Cost of Direct Benefits to Donors	-	-	(4,138)	(4,138)
Less: Other Dream Raffle Services	-	(63,136)	(4,250)	(67,386)
CONTRIBUTED GOODS AND SERVICES (NET)	\$ 790,472	\$ 6,563	\$ 19,813	\$ 816,848

The fundraising and Dream Raffle contributed goods and services are included in special events and dream raffles revenues, respectively.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to the Passage of Time and Purpose	\$ 1,165,356
Subject to Expenditure for Specified Purpose:	
Community Sports Programs	20,692
Unified Champion Schools Program	16,365
Health and Young Athlete Initiatives	9,302
Other Activities	<u>7,552</u>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	53,911
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowment	75,000
Unspent Endowment Earnings	<u>36,745</u>
TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY	<u>111,745</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,331,012</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, 2021:

Satisfaction of Purpose Restrictions:	
Unified Champion Schools Program	\$ 45,221
Health and Young Athlete Initiatives	125,000
Other Activities	<u>1,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 171,221</u>

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

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, 2021, SOSC's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund at December 31, 2021	With Donor Restrictions
Donor-Restricted	<u>\$ 111,745</u>
Changes in Endowment Net Assets for the Year Ended December 31, 2021	
Endowment Net Assets -	
Beginning of Year	\$ 99,230
Investment Return (Net)	<u>12,515</u>
ENDOWMENT NET ASSETS - END OF YEAR	<u>\$ 111,745</u>

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

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, 2021.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 \$150,096 for the year ended December 31, 2021. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,652,692 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2021. Contributions and pledges receivable at December 31, 2021 include \$483,437 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 \$79,404 to the plan for the year ended December 31, 2021.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by SOSC at December 31, 2021 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, 2021:	
Cash and Cash Equivalents	\$ 7,525,424
Investments	12,565,660
Contributions and Pledges Receivable	<u>1,559,935</u>
TOTAL FINANCIAL ASSETS	
AT DECEMBER 31, 2021	21,651,019
Less Amounts Not Available to Be Used within	
One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held for Perpetual Endowments	
And Unspent Endowment Earnings	(111,745)
Funds Held with Purpose and Time Restrictions	<u>(1,219,267)</u>
FINANCIAL ASSETS AVAILABLE TO	
MEET GENERAL EXPENDITURES	
WITHIN ONE YEAR	<u>\$ 20,320,007</u>

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 14 - 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 contributions without donor restrictions. 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.