

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

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THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**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, 2022, 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, 2022, 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 December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

July 10, 2023
Los Angeles, California

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2022

With Summarized Totals at December 31, 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 8,683,404	\$ 7,525,424
Investments	10,738,043	12,565,660
Contributions and Pledges Receivable	16,503,884	1,559,935
Prepaid Expenses and Deposits	412,432	361,733
Right-of-Use Assets	1,168,068	-
Property and Equipment (Net)	<u>-</u>	<u>2,030</u>
TOTAL ASSETS	<u>\$ 37,505,831</u>	<u>\$ 22,014,782</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 240,143	\$ 76,478
Accrued Liabilities	856,660	456,514
Lease Liabilities	1,167,767	-
Paycheck Protection Program Loan	<u>-</u>	<u>900,000</u>
TOTAL LIABILITIES	2,264,570	1,432,992
NET ASSETS:		
Without Donor Restrictions	22,196,316	19,250,778
With Donor Restrictions	<u>13,044,945</u>	<u>1,331,012</u>
TOTAL NET ASSETS	<u>35,241,261</u>	<u>20,581,790</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,505,831</u>	<u>\$ 22,014,782</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022
With Summarized Totals for the Year Ended December 31, 2021

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SPECIAL EVENTS:				
Special Events Sponsorships and Contributions	\$ 1,571,604	\$ -	\$ 1,571,604	\$ 1,201,111
Special Events Contributed Goods and Services	52,621	-	52,621	10,972
Less: Cost of Direct Benefits to Donors	(260,688)	-	(260,688)	(99,548)
Less: Cost of Direct Benefits to Donors - Contributed Goods	(49,991)	-	(49,991)	(4,138)
Dream Raffles Revenues	5,318,925	-	5,318,925	7,129,785
Dream Raffles Contributed Goods and Services	9,279	-	9,279	67,386
Less: Cost of Direct Benefits to Donors	(1,318,481)	-	(1,318,481)	(1,288,610)
NET REVENUES FROM SPECIAL EVENTS	5,323,269	-	5,323,269	7,016,958
REVENUES AND SUPPORT:				
Contributed Goods and Services	1,626,141	-	1,626,141	810,013
Contributions	7,778,706	12,944,870	20,723,576	7,698,961
Direct Marketing	798,826	-	798,826	906,340
TOTAL REVENUES AND SUPPORT	10,203,673	12,944,870	23,148,543	9,415,314
OTHER INCOME:				
Investment Return (Net)	(1,803,843)	5,492	(1,798,351)	843,066
Other Income	905,101	-	905,101	1,766,272
Net Assets Released from: Donor Restrictions	1,236,429	(1,236,429)	-	-
TOTAL OTHER INCOME	337,687	(1,230,937)	(893,250)	2,609,338
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	15,864,629	11,713,933	27,578,562	19,041,610
EXPENSES:				
Program Services	8,945,544	-	8,945,544	6,485,371
Management and General	734,579	-	734,579	647,422
Fundraising	3,238,968	-	3,238,968	3,009,057
TOTAL EXPENSES	12,919,091	-	12,919,091	10,141,850
CHANGE IN NET ASSETS	2,945,538	11,713,933	14,659,471	8,899,760
Net Assets - Beginning of Year	19,250,778	1,331,012	20,581,790	11,682,030
NET ASSETS - END OF YEAR	\$ 22,196,316	\$ 13,044,945	35,241,261	\$ 20,581,790

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, 2022

With Summarized Totals for the Year Ended December 31, 2021

	2022							2021 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	\$ 2,441,604	\$ 780,701	\$ 609,024	\$ 3,831,329	\$ 390,463	\$ 797,880	\$ 5,019,672	\$ 4,230,817
Payroll Taxes	159,780	51,090	39,569	250,439	25,552	52,214	328,205	311,528
Employee Benefits	188,942	60,865	59,535	309,342	30,214	61,739	401,295	424,296
TOTAL PERSONNEL COSTS	2,790,326	892,656	708,128	4,391,110	446,229	911,833	5,749,172	4,966,641
Contributed Goods and Services (Note 10)	1,435,307	51,367	120,548	1,607,222	6,216	15,333	1,628,771	816,848
Event Supplies and Fees	105,785	486,128	7,142	599,055	1,937	9,795	610,787	451,797
Professional Services	147,358	43,543	56,195	247,096	189,874	163,926	600,896	514,819
Rent	186,646	59,680	46,223	292,549	29,848	60,993	383,390	376,208
Equipment, Equipment Service, and Rental Facilities Rental	206,030	29,986	23,225	259,241	14,548	29,727	303,516	140,224
Insurance	214,789	13,318	10,407	238,514	5,913	12,403	256,830	109,231
Accreditation Fees (Note 13)	122,821	39,272	30,417	192,510	2,120	6,453	201,083	190,275
Transportation	123,409	39,460	30,562	193,431	-	-	193,431	150,096
Grants Made	114,068	27,164	4,408	145,640	1,262	32,761	179,663	19,787
Lodging	-	161,803	-	161,803	-	-	161,803	7,555
Other	109,673	22,892	4,238	136,803	2,071	20,510	159,384	3,213
Telephone and Utilities	59,181	12,067	8,912	80,160	7,522	71,682	159,364	125,072
Software Expense	67,652	21,631	16,754	106,037	10,819	22,108	138,964	144,844
Uniforms	57,632	18,428	14,273	90,333	9,217	18,833	118,383	115,158
Meals	90,425	16,229	2,310	108,964	41	3,097	112,102	4,300
Printing, Postage and Delivery	62,121	4,381	4,237	70,739	977	5,290	77,006	4,046
	17,037	6,598	702	24,337	956	10,274	35,567	151,411
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	5,910,260	1,946,603	1,088,681	8,945,544	729,550	1,395,018	11,070,112	8,291,525
				81%	7%	12%	100%	
Raffle Expense	-	-	-	-	-	1,839,700	1,839,700	1,782,939
Raffle - Contributed Goods and Services (Note 10)	-	-	-	-	5,029	4,250	9,279	67,386
TOTAL RAFFLE EXPENSES	-	-	-	-	5,029	1,843,950	1,848,979	1,850,325
TOTAL FUNCTIONAL EXPENSES	\$ 5,910,260	\$ 1,946,603	\$ 1,088,681	\$ 8,945,544	\$ 734,579	\$ 3,238,968	\$ 12,919,091	\$ 10,141,850
				69%	6%	25%	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, 2022

With Summarized Totals for the Year Ended December 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 14,659,471	\$ 8,899,760
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Forgiveness of Paycheck Protection Program Loan	(900,000)	(1,002,400)
Realized and Unrealized (Gains) Losses on Investments	2,043,421	(676,439)
Depreciation	2,030	5,505
Decrease (Increase) in:		
Contributions and Pledges Receivable	(14,943,949)	(1,061,199)
Prepaid Expenses and Deposits	(50,699)	(85,410)
Right-of-Use Assets	421,059	-
Increase (Decrease) in:		
Accounts Payable	163,665	(11,580)
Accrued Liabilities	400,146	(19,368)
Lease Liabilities	(421,360)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,373,784	6,048,869
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	-	5,828,114
Purchase of Investments	-	(8,828,114)
Reinvested Dividends and Interest	(215,804)	(164,575)
NET CASH USED IN INVESTING ACTIVITIES	(215,804)	(3,164,575)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan	-	900,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,157,980	3,784,294
Cash and Cash Equivalents - Beginning of Year	7,525,424	3,741,130
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,683,404	\$ 7,525,424
SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITY:		
Non-Cash Impact of Implementation of Accounting Standards Update No. 2016-02, <i>Leases (Topic 842)</i>		
Increase in Right-of-Use Assets - Operating	\$ 1,589,127	\$ -
Increase in Lease Liability - Operating	1,589,127	-

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, 2022

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 2022, SOSC began its return to sports training and competition in community programs. Through August, athletes participated in sports skills training, as they had during most of the pandemic, but the fall featured a traditional season of sports training and competitions, including the Fall Games Championships. In the winter, we kicked off a new sport: floorball. This sport replaced floor hockey and will allow athletes to have more opportunities to compete at USA Games and World Games.

The return of sports training and competition saw a slight increase in athletes participating in community programs when compared to 2021. A barrier to returning to pre-pandemic levels is a need for coaches, which is a focus for 2023.

Programming in schools continued to hold steady. SOSC currently has 75 Unified Champion Schools, who have made a commitment to creating a more inclusive and accepting environment for all students, particularly those with intellectual disabilities. This includes three components: Unified Sports, Inclusive Youth Leadership, and Whole School Engagement.

No matter the number of athletes SOSC serves, the impact in communities and schools is as strong as ever. SOSC continued to build upon its current programming in 2022. SOSC added virtual programming, such as the Healthy Lifestyle Challenge; increased the number of Medfests SOSC hosts; prepared to expand Unified Sports to community programs in 2023; and more.

The results from SOSC's sports and beyond sports programming are proven. It reduces bullying in schools, improves the quality of health in people with intellectual disabilities, empowers the athletes to live more fulfilling lives, and creates more inclusive communities.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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.

(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, 2022 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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS (continued)

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, 2022, 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.

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 considered that it substantially met the various conditions prescribed in the ERC program for certain payroll quarters, and accordingly, recognized the related income totaling \$744,851 during the year ended December 31, 2021. At December 31, 2022, the related receivable of \$744,851 is included in contributions and pledges receivable. Subsequent to year-end, in May 2023, all of the ERC amounts due have been collected.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE (continued)

The ERC payments are subject to an eligibility examination by the Internal Revenue Service (IRS) for a period of up to five years following the receipt of the credit. Any potential disallowed payments that may result from these examinations cannot be reasonably estimated.

(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, 2022.

(h) SELF INSURANCE

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

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) PAYCHECK PROTECTION PROGRAM LOANS

SOSC 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) was 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 remained recorded as a liability until the loan was forgiven and SOSC was legally released in February 2022.

(j) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at their estimated fair value in the period received and expensed when utilized. 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 \$35.56 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2021 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, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) LEASES

SOSC recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. SOSC is a lessee in several operating facilities leases (See Note 8). SOSC determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. SOSC recognizes a lease liability and a right-of-use (ROU) asset at the later of the commencement date of the lease or January 1, 2022, the adoption date of ASC 842. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise SOSC uses the risk-free rate. The implicit rates of SOSC's leases are not readily determinable and accordingly, SOSC used the risk-free rate based on the information available at the commencement date for all leases.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

SOSC has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the company is reasonably certain to exercise. SOSC recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(l) 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 FASB ASC 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, 2022, SOSC performed an evaluation of uncertain tax positions and did not identify 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, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing SOSC's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. SOSC uses full time equivalent ratios to allocate indirect costs.

(n) USE OF ESTIMATES

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

(o) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SOSC's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

(p) RECLASSIFICATIONS

For comparability, certain December 31, 2021 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2022.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, 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. ASC 842 is effective for fiscal years beginning after December 15, 2021. SOSC adopted ASC 842 with a date of the initial application of January 1, 2022. SOSC elected to apply the following package of practical expedients on a consistent basis permitting entities not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of ROU assets and lease liabilities on the statement of financial position for all leases previously classified as operating leases. SOSC recognized ROU assets totaling \$1,589,127 and related lease liabilities totaling \$1,589,127 as of January 1, 2022 for contracts that are classified as operating leases. Leases with an initial term of 12 months or less have not been recorded on the statement of financial position. There was no other material impact on SOSC's financial statements. Refer to Notes 2(k) and 8 for disclosures related to SOSC's accounting for leases.

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. SOSC implemented this ASU during the year ended December 31, 2022. There was no significant impact to SOSC's financial statements as a result of the implementation of the ASU. The presentation and disclosures of contributed goods and services have been enhanced in accordance with the ASU.

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December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For SOSC the ASU and the subsequent amendments will be effective for the year ending December 31, 2023, and are expected to be adopted using the modified-retrospective approach.

(r) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 10, 2023, 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 2(e) and 8.

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).

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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, 2022, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2022	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	\$ 602,199	\$ 602,199	\$ -	\$ -
Fixed Income	3,732,560	3,732,560	-	-
International Equity	949,848	949,848	-	-
Growth Equity:				
Small Cap	1,036,777	1,036,777	-	-
Large Cap	4,416,659	4,416,659	-	-
TOTAL INVESTMENTS	\$ 10,738,043	\$ 10,738,043	\$ -	\$ -

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, 2022 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>(199,282)</u>
PROPERTY AND EQUIPMENT (NET)	\$ -

Depreciation expense for the year ended December 31, 2022 was \$2,030.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2022 consist of the following:

Accrued Vacation	\$ 252,851
Accrued Payroll	556,527
Accrued Unemployment Liability	<u>47,282</u>
TOTAL ACCRUED LIABILITIES	<u>\$ 856,660</u>

SOSC has elected to be self-insured for the purposes of employee unemployment claims. The reserve for unemployment liability at December 31, 2022 of \$47,282 included in accrued liabilities, represents estimated future claims arising from current and past employees. Additionally, SOSC holds an unemployment insurance deposit amount of \$82,488, to be used against future claims, which is included in prepaid expenses and deposits at December 31, 2022.

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 the 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 7 - PAYCHECK PROTECTION PROGRAM LOANS

In January 2021, SOSC received a second draw PPP loan in the amount of \$900,000. The second draw PPP loan, administered by the SBA, bore interest at a fixed rate of 1.0% per annum, had a term of five 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 forgiveness applied for by the borrower was approved by the SBA. In February 2022, SOSC received forgiveness of the full amount of the second draw PPP loan, including accrued interest. Accordingly, SOSC recognized loan forgiveness income of \$900,000, which is included in other income in the statement of activities during the year ending December 31, 2022.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8 - OPERATING LEASES

SOSC leases several offices and other facilities which are classified as operating leases. The leases expire on various dates ranging from January 31, 2024 to November 30, 2027. Some of these leases have renewal options of up to 3 years. The exercise of lease renewal options is at the lessee's discretion. SOSC has included the renewal term in the calculation of the right-of-use asset and related lease liability when it determined such renewals are reasonably certain of being exercised. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the statement of financial position and are recognized as lease expenses on a straight-line basis over the lease term. As of December 31, 2022, SOSC recognized \$1,168,068 of right-of-use assets and \$1,167,767 of related lease liabilities for contracts that are classified as operating leases.

Lease cost was as follows for the year ended December 31, 2022:

Operating Lease Cost:	\$	439,087
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Weighted-average remaining lease term and weighted-average discount rate were as follows at December 31, 2022:

Weighted-Average Lease Term	
Operating Leases	3.1 years
Weighted-Average Discount Rate	
Operating Leases	1.69%

Maturities of lease liabilities as of December 31, 2022 are as follows:

Years Ending December 31

2023	\$	384,417
2024		376,247
2025		312,287
2026		80,179
2027		52,307
TOTAL RENT PAYMENTS		<u>1,205,437</u>
Less: Imputed Interest		<u>(37,670)</u>
TOTAL	\$	<u><u>1,167,767</u></u>

Subsequent to year-end, SOSC entered into an operating lease that commenced in January 2023 for an initial term of five years with an option to extend for an additional three years. Monthly base rent for the lease is \$4,294 with an annual escalation clause of 3%.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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, 2022.

NOTE 10 - CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at their estimated fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of goods and services of \$1,688,041 were received during the year ended December 31, 2022, that satisfied the criteria for recognition and were used in SOSC's programs and supporting services as reflected in the statement of functional expenses.

For the year ended December 31, 2022, contributed goods and services consist of:

Category	Valuation Methodology	Amount
Coaches and Medical Volunteers	Based on contributed hours at published "Dollar Value of a Volunteer Hour" for the State of California	\$ 1,353,519
Legal Services	Comparable hourly rates of legal professionals with similar expertise	89,210
Advertising	Market rates for similar services	40,000
Other Professional Services	Market rates for similar services	33,151
Use of Facilities	Market rates for similar properties	126,980
Other Supplies	Market prices for similar supplies	45,181
TOTAL		<u>\$ 1,688,041</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to the Passage of Time and Purpose	\$ 12,500,000
Subject to Expenditure for Specified Purpose:	
Community Sports Programs	123,316
Unified Champion Schools Program	24,349
Health and Young Athlete Initiatives	
Other Activities	6,553
	<hr/>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	154,218
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowment	375,000
Unspent Endowment Earnings	15,727
	<hr/>
TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY	390,727
	<hr/>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 13,044,945</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, 2022:

Satisfaction of Time and Purpose	\$ 1,165,356
Satisfaction of Purpose Restrictions:	
Unified Champion Schools Program	16,365
Health and Young Athlete Initiatives	9,302
Other Activities	45,406
	<hr/>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,236,429</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 12 - ENDOWMENTS

SOSC has two donor-restricted endowment funds, the earnings of which support the Team Wellness program and the Comprehensive Campaign for Inclusion and Access. Net assets associated with the endowment funds 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, 2022, SOSC's endowment net assets composition by type of net assets was as follows:

Endowment Net Asset Composition by Type of Fund at December 31, 2022	With Donor Restrictions
Donor-Restricted	<u>\$ 390,727</u>
Changes in Endowment Net Assets for the Year Ended December 31, 2022	
Endowment Net Assets - Beginning of Year	\$ 111,745
Contributions	300,000
Investment Return (Net)	5,492
Appropriations for Expenditure	<u>(26,510)</u>
ENDOWMENT NET ASSETS - END OF YEAR	<u>\$ 390,727</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). Underwater endowment balances totaled \$4,721 at December 31, 2022.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 - 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 \$193,431 for the year ended December 31, 2022. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,452,036 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2022. Contributions and pledges receivable at December 31, 2022 include \$363,292 due from SOI.

NOTE 14 - 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 \$81,327 to the plan for the year ended December 31, 2022.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by SOSC at December 31, 2022 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, 2022:	
Cash and Cash Equivalents	\$ 8,683,404
Investments	10,738,043
Contributions and Pledges Receivable	<u>16,503,884</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2022	35,925,331
Less Amounts Not Available to Be Used within One Year, Due to:	
Funds Held for Perpetual Endowments And Unspent Endowment Earnings	(390,727)
Funds Held with Purpose and Time Restrictions	<u>(12,654,218)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 22,880,386</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 15 - 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.