

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Southern California, Inc. (SOSC), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOSC as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited SOSC's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
Special Olympics Southern California, Inc.
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018, on our consideration of SOSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SOSC's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

May 8, 2018
Los Angeles, California

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

STATEMENT OF FINANCIAL POSITION
December 31, 2017
With Summarized Totals at December 31, 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 1,144,595	\$ 1,648,839
Investments	6,709,933	5,671,300
Contributions and Pledges Receivable	548,891	1,017,585
Prepaid Expenses and Deposits	550,937	338,698
Property and Equipment (Net)	<u>61,052</u>	<u>82,656</u>
TOTAL ASSETS	<u>\$ 9,015,408</u>	<u>\$ 8,759,078</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 276,860	\$ 267,935
Accrued Liabilities	375,731	509,443
Deferred Revenue	<u>500,000</u>	<u>488,566</u>
TOTAL LIABILITIES	1,152,591	1,265,944
NET ASSETS:		
Unrestricted	7,333,113	6,906,579
Temporarily Restricted	454,704	411,555
Permanently Restricted	<u>75,000</u>	<u>175,000</u>
TOTAL NET ASSETS	<u>7,862,817</u>	<u>7,493,134</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,015,408</u>	<u>\$ 8,759,078</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, 2017

With Summarized Totals for the Year Ended December 31, 2016

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SPECIAL EVENTS:					
Special Events	\$ 3,384,680	\$ -	\$ -	\$ 3,384,680	\$ 3,833,570
Less: Cost of Direct Benefits to Donors	(1,013,820)	-	-	(1,013,820)	(1,096,418)
Dream Raffles	6,198,295	-	-	6,198,295	4,934,340
Less: Cost of Direct Benefits to Donors	(2,005,077)	-	-	(2,005,077)	(1,386,075)
NET REVENUES FROM SPECIAL EVENTS	6,564,078	-	-	6,564,078	6,285,417
REVENUES AND SUPPORT:					
Contributed Goods and Services Contributions	6,392,723	-	-	6,392,723	5,861,976
	4,854,694	146,569	-	5,001,263	5,195,132
Loss from Uncollectible Pledges Receivable	-	-	(100,000)	(100,000)	-
Direct Marketing	972,525	-	-	972,525	984,794
TOTAL REVENUES AND SUPPORT	12,219,942	146,569	(100,000)	12,266,511	12,041,902
OTHER INCOME:					
Dividends and Interest Income	141,076	5,228	-	146,304	122,348
Other Income	78,625	-	-	78,625	76,576
Realized and Unrealized Gains on Investments	636,945	8,594	-	645,539	256,557
Net Assets Released from:					
Purpose Restrictions	113,625	(113,625)	-	-	-
Time Restrictions	3,617	(3,617)	-	-	-
TOTAL OTHER INCOME	973,888	(103,420)	-	870,468	455,481
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	19,757,908	43,149	(100,000)	19,701,057	18,782,800
EXPENSES:					
Program Services	16,112,454	-	-	16,112,454	14,943,893
Management and General	305,740	-	-	305,740	273,146
Fundraising	2,913,180	-	-	2,913,180	3,018,565
TOTAL EXPENSES	19,331,374	-	-	19,331,374	18,235,604
CHANGE IN NET ASSETS	426,534	43,149	(100,000)	369,683	547,196
Net Assets - Beginning of Year	6,906,579	411,555	175,000	7,493,134	6,945,938
NET ASSETS - END OF YEAR	\$ 7,333,113	\$ 454,704	\$ 75,000	\$ 7,862,817	\$ 7,493,134

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, 2017

With Summarized Totals for the Year Ended December 31, 2016

	2017				2016 Total
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 4,452,475	\$ 201,822	\$ 333,110	\$ 4,987,407	\$ 4,850,587
Temporary Labor	50,400	1,757	2,900	55,057	94,845
Payroll Taxes	331,151	15,010	24,775	370,936	353,728
Employee Benefits	617,170	26,221	43,278	686,669	559,916
TOTAL PERSONNEL COSTS	5,451,196	244,810	404,063	6,100,069	5,859,076
Contributed Goods and Services (Note 11)	6,384,160	8,563	46,810	6,439,533	5,935,074
Event Supplies	515,957	-	22,728	538,685	311,530
Transportation	455,044	1,007	36,715	492,766	499,966
Facilities Rental	420,728	1,338	2,209	424,275	376,870
Professional Services	335,967	10,250	44,575	390,792	434,309
Rent	334,402	15,158	25,018	374,578	370,687
Lodging	277,733	11	713	278,457	334,795
Meals	264,279	133	8,980	273,392	332,293
Uniforms	192,794	86	43,757	236,637	311,129
Equipment Rental	235,345	142	234	235,721	241,834
Accreditation Fees (Note 14)	209,519	-	-	209,519	211,838
Grants Made	208,614	-	-	208,614	4,000
Insurance	174,242	1,168	3,628	179,038	178,232
Equipment and Equipment Service	123,030	5,577	9,679	138,286	151,654
Telephone	105,066	6,967	9,399	121,432	118,632
Software Expense	80,502	3,649	6,023	90,174	57,011
Bank Charges	-	2,270	83,600	85,870	109,769
Awards and Recognition	81,881	14	3,935	85,830	89,636
Event Fees	59,688	1	25,667	85,356	10,428
Office Supplies	47,349	1,884	4,223	53,456	69,656
Postage and Delivery	27,724	893	14,355	42,972	40,223
Depreciation	41,936	-	-	41,936	46,066
Printing	35,592	600	4,988	41,180	81,194
Photography	18,811	28	19,890	38,729	25,332
Utilities	17,453	791	1,306	19,550	16,599
Dues and Publications	7,376	125	839	8,340	7,231
Miscellaneous Expense	4,464	202	334	5,000	5,000
Taxes and Licenses	1,602	73	387	2,062	3,877
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	16,112,454	305,740	824,055	17,242,249	16,233,941
	93%	2%	5%	100%	
Raffle Expense	-	-	2,089,125	2,089,125	2,001,663
TOTAL FUNCTIONAL EXPENSES	\$ 16,112,454	\$ 305,740	\$ 2,913,180	\$ 19,331,374	\$ 18,235,604
	83%	2%	15%	100%	

The Accompanying Notes are an Integral Part of These Financial Statements

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.
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STATEMENT OF CASH FLOWS
Year Ended December 31, 2017
With Summarized Totals for the Year Ended December 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 369,683	\$ 547,196
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:		
Depreciation	41,936	46,066
Reinvested Dividends and Interest	(143,220)	(119,237)
Realized and Unrealized Gains on Investments Receivable	(645,539)	(256,557)
Donated Stock	100,000	-
Proceeds from Sale of Donated Stock	(63,310)	(391)
Permanently Restricted Contributions	63,310	391
Decrease (Increase) in:	-	(175,000)
Contributions and Pledges Receivable	368,694	(380,020)
Related Party Receivable	-	100,000
Prepaid Expenses and Deposits	(212,239)	(87,534)
Increase (Decrease) in:		
Accounts Payable	8,925	(21,444)
Accrued Liabilities	(133,712)	162,257
Deferred Revenue	11,434	481,287
	(234,038)	297,014
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	2,189,152	78,542
Purchase of Investments	(2,439,026)	(675,000)
Purchase of Property and Equipment	(20,332)	(20,365)
	(270,206)	(616,823)
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently Restricted Contributions	-	75,000
	-	75,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(504,244)	(244,809)
Cash and Cash Equivalents - Beginning of Year	1,648,839	1,893,648
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,144,595	\$ 1,648,839

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, 2017

NOTE 1 - ORGANIZATION

Special Olympics Southern California's mission is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. For 49 years, the positive effect of Special Olympics Southern California (SOSC) has had an impact not only on the lives of its athletes, but the lives of their families, volunteers and the communities in which they live. It is the goal of SOSC to share the talents of all individuals with intellectual disabilities so they have the chance to become productive members of the community and spread acceptance and inclusion.

SOSC is an independent, non-profit public benefit corporation that is accredited by Special Olympics, Inc. (SOI). Olympic Gold Medalist Rafer Johnson established a California chapter of Special Olympics in 1969, which evolved into northern and southern California chapters in 1995. SOSC currently serves more than 32,250 individuals with intellectual disabilities with the help of nearly 17,000 volunteers. Over the last decade, SOSC has quadrupled the athletes it serves. Athletes train year-round and can choose from 13 sports at no cost, including two new sports, flag football and cheerleading, being added in 2018.

The program exists through the work of staff and volunteers in nine regional offices. Those regions hold nearly 200 sports and training events throughout the year, in addition to many fundraisers supporting those events. Along with competing locally, athletes have the opportunity to compete across the United States and globally. A total of 13 athletes competed at the 2017 Special Olympics World Winter Games in Austria, and in 2018, 70 athletes will travel to Seattle to compete at the Special Olympics USA Games.

School-based programs continue to grow with almost 750 school partners. Nearly seventy-three percent of SOSC's athletes are currently participating through the School Program. This program involves the entire school, including people with and without intellectual disabilities, in sports, health and wellness, leadership, and advocacy activities. The average age of a school program athlete is 13 years of age, which has lowered the overall average age of participating athletes to 18 years of age.

The Young Athletes program now has nearly 7,500 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 four athletes serving on the Board of Directors and 115 Global Messenger athletes who help spread the word about Special Olympics to civic and community groups, corporations, and volunteers.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - ORGANIZATION (continued)

In addition, SOSC offers two health and wellness programs. The Healthy Athletes Program™ offers free healthcare screenings, exams and education to improve each athlete's ability to train and compete in Special Olympics. Medical professionals work with athletes in six disciplines: Fit Feet, Fun Fitness, Health Promotion, Healthy Hearing, Opening Eyes® and Special Smiles®. The second program is Team Wellness. Participants receive training, guidance, and encouragement to eat healthier, build life-long healthy habits, and live a happier and more active lifestyle.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

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

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SOSC are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted Net Assets.** SOSC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. SOSC has \$454,704 of temporarily restricted net assets at December 31, 2017.

Restricted contributions received and spent in the same year are treated by SOSC as unrestricted for reporting purposes.

- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit SOSC to expend all of the income (or other economic benefits) derived from the donated assets. SOSC has \$75,000 of permanently restricted net assets at December 31, 2017.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017 approximates its fair value.

(d) INVESTMENTS

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at fair value. Interest and dividend income and gains and losses on investments are reported on the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. SOSC reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

(f) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred while renewals and betterments are capitalized.

The estimated useful lives of property and equipment are as follows:

Computer Equipment	3 Years
Vehicles	5 Years
Furniture and Equipment	5 Years

Property and equipment are capitalized if the cost of an asset is greater than five thousand dollars and the useful life is greater than one year.

(g) LONG-LIVED ASSETS

SOSC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized during the year ended December 31, 2017.

(h) DEFERRED REVENUE

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

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) SELF INSURANCE

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

(j) CONCENTRATION OF CREDIT RISK

SOSC places its cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. SOSC has not incurred losses related to these investments.

SOSC holds investments in the form of mutual funds. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors.

(k) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received. Volunteer services that met the reporting criteria were valued at an average of \$28.46 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2016 according to the Independent Sector, a leadership forum for charities, foundations and corporate giving programs.

SOSC received donated services from unpaid volunteers who made significant contributions of their time providing a broad range of support at all of the competitions and fundraising events. However, the value of these services is not reflected in the financial statements because the criteria for recognition were not met.

(l) ADVERTISING COSTS

Advertising costs were expensed as incurred. Advertising costs for the year ended December 31, 2017 were \$284,450 which includes dream house raffle expenses.

(m) INCOME TAXES

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

(n) FUNCTIONAL ALLOCATION OF EXPENSES

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) USE OF ESTIMATES

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

(p) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SOSC's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

(q) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (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. For SOSC, the ASU and subsequent amendments will be effective for the year ending 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, 2020.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS (continued)

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

(r) SUBSEQUENT EVENTS

SOSC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 8, 2018, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

SOSC has implemented the accounting standard which defines fair value for those assets and liabilities that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (and liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs use unobservable data points for the assets (and liabilities) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about SOSC's assets that are measured at fair value on a recurring basis at December 31, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2017	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	\$ 1,953,817	\$ 1,953,817	\$ -	\$ -
Fixed Income	1,641,060	1,641,060	-	-
International	674,495	674,495	-	-
Small Cap Growth	358,318	358,318	-	-
Large Cap Growth	2,082,243	2,082,243	-	-
TOTAL MUTUAL FUND INVESTMENTS	\$ 6,709,933	\$ 6,709,933	\$ -	\$ -

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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

SOSC's policy is to recognize transfers in and out of Levels 1, 2 and 3 as of the end of the year. There were no transfers for the year ended December 31, 2017.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

All contributions and pledges receivable are deemed to be fully collectible at December 31, 2017; therefore, no allowance for doubtful pledges has been recorded. Contributions and pledges receivable at December 31, 2017 are expected to be collected in their entirety within one year. Refer to Note 9 for conditional contributions that have not met the criteria to be recognized as support.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consisted of the following:

Computer Equipment	\$	469,421
Vehicles		182,824
Furniture and Equipment		<u>60,051</u>
TOTAL		712,296
Less: Accumulated Depreciation		<u>(651,244)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u><u>61,052</u></u>

Depreciation expense for the year ended December 31, 2017 was \$41,936.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2017 consist of the following:

Accrued Vacation	\$	271,230
Accrued Payroll		90,443
Accrued Unemployment		<u>14,058</u>
TOTAL ACCRUED LIABILITIES	\$	<u><u>375,731</u></u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - ACCRUED UNEMPLOYMENT LIABILITY

SOSC has elected to be self-insured for the purposes of employee unemployment claims. The reserve for unemployment liability at December 31, 2017 of \$14,058, included in accrued liabilities, represents estimated future claims arising from current and past employees. Unemployment expense for the year ended December 31, 2017 was \$26,631.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at January 1, 2017	\$ 11,308	\$ -	\$ 11,308
Self-Insurance Expenses Incurred (Net)	26,631	-	26,631
Payments Made to Fund Related Liabilities	(23,881)	-	(23,881)
<i>BALANCE AT DECEMBER 31, 2017</i>	<i>\$ 14,058</i>	<i>\$ -</i>	<i>\$ 14,058</i>

Additionally, SOSC holds an unemployment insurance deposit amount of \$71,298, to be used against future claims, as of December 31, 2017.

NOTE 8 - DEFERRED REVENUE

At December 31, 2017, SOSC had \$500,000 in deferred revenue associated funds appropriated by the State of California for use in creating and promoting social inclusion between individuals and students with and without intellectual disabilities through sports at State schools through December 31, 2018.

NOTE 9 - LEGACY GIFTS

SOSC has been named a beneficiary in a number of bequests and trusts. The bequests and trusts are not recognized as support until all of the following conditions are met: the demise of testator; the amount of the bequest or trust is known; SOSC is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid. Certain bequests and trusts have not been recorded in the accompanying financial statements because the donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable.

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NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

SOSC leases equipment and office space under various operating leases expiring through February 2022. Future minimum payments under these leases, with initial or remaining terms of one year or more, consist of the following by year and in the aggregate:

Years Ending December 31

2018	\$	445,385
2019		453,162
2020		397,062
2021		49,971
2022		2,130
TOTAL	\$	1,347,710

The rent and equipment rental expense under these leases for the year ended December 31, 2017 was \$450,985.

(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, 2017.

NOTE 11 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2017 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 5,685,017	\$ 8,293	\$ 50,100	\$ 5,743,410
Goods	274,493	270	132,786	407,549
Use of Facilities and Equipment	424,650	-	102,541	527,191
TOTAL CONTRIBUTED GOODS AND SERVICES	6,384,160	8,563	285,427	6,678,150
Less: Cost of Direct Benefits to Donors	-	-	(238,617)	(238,617)
CONTRIBUTED GOODS AND SERVICES (NET)	\$ 6,384,160	\$ 8,563	\$ 46,810	\$ 6,439,533

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

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31, 2017:

Time Restricted	\$	3,617
Games and Championships		317,571
Other Activities		<u>133,516</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>454,704</u>

NOTE 13 - ENDOWMENTS

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

At December 31, 2017, SOSC's endowment net assets composition by type of fund was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	<u>\$ 9,835</u>	<u>\$ 75,000</u>	<u>\$ 84,835</u>

For the year ended December 31, 2017, SOSC's endowment net assets changed as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ 142	\$ 175,000	\$ 175,142
Investment Income	9,693	-	9,693
Loss from Uncollectible Pledges Receivable	-	(100,000)	(100,000)
ENDOWMENT NET ASSETS - END OF YEAR	\$ 9,835	\$ 75,000	\$ 84,835

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

NOTE 14 - RELATED PARTY TRANSACTIONS

As an accredited chapter of SOI (See Note 1), SOSC remits accreditation fees and shares in percentages of contributions for nationwide SOI fundraising programs. SOSC incurred accreditation fees totaling \$209,519 for the year ended December 31, 2017. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,380,202 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2017. Contributions and pledges receivable at December 31, 2017 include \$346,062 due from SOI.

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NOTE 15 - EMPLOYEE BENEFIT PLAN

SOSC has a 403(b) defined contribution plan covering substantially all employees. After one year of service, SOSC matches 50% of the employee's contribution up to a maximum of 6% of the employee's salary annually. SOSC contributed \$88,185 to the plan for the year ended December 31, 2017.