

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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.

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOSC as of December 31, 2020, 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.

To the Board of Directors
Special Olympics Southern California, Inc.
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Report on Summarized Comparative Information

We have previously audited SOSC's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

June 3, 2021
Los Angeles, California

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

STATEMENT OF FINANCIAL POSITION
December 31, 2020
With Summarized Totals at December 31, 2019

ASSETS	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 3,741,130	\$ 2,077,591
Investments	8,724,646	8,356,116
Contributions and Pledges Receivable	498,736	1,698,303
Prepaid Expenses and Deposits	276,323	301,445
Property and Equipment (Net)	<u>7,535</u>	<u>18,238</u>
TOTAL ASSETS	<u>\$ 13,248,370</u>	<u>\$ 12,451,693</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 88,058	\$ 237,323
Accrued Liabilities	475,882	391,824
Paycheck Protection Program Loan	<u>1,002,400</u>	<u>-</u>
TOTAL LIABILITIES	1,566,340	629,147
NET ASSETS:		
Without Donor Restrictions	11,386,775	8,746,056
With Donor Restrictions	<u>295,255</u>	<u>3,076,490</u>
TOTAL NET ASSETS	<u>11,682,030</u>	<u>11,822,546</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 13,248,370</u>	 <u>\$ 12,451,693</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, 2020
With Summarized Totals for the Year Ended December 31, 2019

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SPECIAL EVENTS:				
Special Events	\$ 1,222,439	\$ -	\$ 1,222,439	\$ 3,097,101
Less: Cost of Direct Benefits to Donors	(186,693)	-	(186,693)	(993,516)
Dream Raffles	5,954,169	-	5,954,169	6,241,072
Less: Cost of Direct Benefits to Donors	(1,573,100)	-	(1,573,100)	(1,729,114)
NET REVENUES FROM SPECIAL EVENTS	5,416,815	-	5,416,815	6,615,543
REVENUES AND SUPPORT:				
Contributed Goods and Services	757,410	-	757,410	8,033,810
Contributions	3,871,310	-	3,871,310	8,254,324
Direct Marketing	829,366	-	829,366	928,716
TOTAL REVENUES AND SUPPORT	5,458,086	-	5,458,086	17,216,850
OTHER INCOME:				
Investment Return (Net)	370,814	4,664	375,478	769,234
Other Income	16,861	-	16,861	81,821
Net Assets Released from:				
Purpose Restrictions	285,899	(285,899)	-	-
Time Restrictions	2,500,000	(2,500,000)	-	-
TOTAL OTHER INCOME	3,173,574	(2,781,235)	392,339	851,055
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	14,048,475	(2,781,235)	11,267,240	24,683,448
EXPENSES:				
Program Services	7,320,517	-	7,320,517	16,383,788
Management and General	884,616	-	884,616	919,061
Fundraising	3,202,623	-	3,202,623	3,406,735
TOTAL EXPENSES	11,407,756	-	11,407,756	20,709,584
CHANGE IN NET ASSETS	2,640,719	(2,781,235)	(140,516)	3,973,864
Net Assets - Beginning of Year	8,746,056	3,076,490	11,822,546	7,848,682
NET ASSETS - END OF YEAR	\$ 11,386,775	\$ 295,255	\$ 11,682,030	\$ 11,822,546

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, 2020

With Summarized Totals for the Year Ended December 31, 2019

	2020							2019 Total
	Sports and Health Programs	Unified Champion Schools	Other Program Services	Total Program Services	Management and General	Fundraising	Total	
Salaries and Temporary Labor	\$ 2,249,520	\$ 800,675	\$ 762,766	\$ 3,812,961	\$ 493,658	\$ 618,859	\$ 4,925,478	\$ 4,831,726
Payroll Taxes	162,512	57,843	55,089	275,444	35,663	44,708	355,815	345,790
Employee Benefits	234,843	83,861	93,310	412,014	51,537	64,607	528,158	540,800
TOTAL PERSONNEL COSTS	2,646,875	942,379	911,165	4,500,419	580,858	728,174	5,809,451	5,718,316
Contributed Goods and Services (Note 9)	516,428	78,276	157,735	752,439	4,971	24,645	782,055	8,049,357
Professional Services	112,349	38,764	70,362	221,475	107,272	116,741	445,488	403,251
Rent	195,030	69,417	66,112	330,559	42,799	53,654	427,012	423,283
Event Supplies and Fees	184,329	113,002	571	297,902	63	4,476	302,441	302,591
Insurance	110,933	39,485	37,604	188,022	1,920	2,207	192,149	189,804
Accreditation Fees (Note 12)	95,222	33,893	32,279	161,394	-	-	161,394	240,479
Telephone	63,509	23,349	21,914	108,772	13,971	17,430	140,173	120,682
Facilities Rental	94,423	8,387	11,568	114,378	4,647	13,495	132,520	414,452
Printing	27,075	85,769	321	113,165	109	7,936	121,210	32,598
Equipment, Equipment Service, and Rental	53,878	21,566	19,240	94,684	11,271	13,963	119,918	398,421
Software Expense	42,588	15,158	14,437	72,183	9,346	11,860	93,389	88,943
Transportation	28,354	40,061	5,178	73,593	770	5,904	80,267	515,632
Uniforms	32,440	37,484	581	70,505	-	5,149	75,654	307,778
Meals	7,459	1,805	12,625	21,889	127	34,676	56,692	171,028
Grants Made	-	52,368	-	52,368	-	-	52,368	233,199
Bank Charges	-	-	-	-	2,941	44,949	47,890	72,798
Postage and Delivery	16,062	10,870	1,483	28,415	1,066	16,767	46,248	26,471
Lodging	19,241	1,903	15,606	36,750	-	402	37,152	295,681
Awards and Recognition	12,719	19,503	368	32,590	22	354	32,966	74,689
Dues and Publications	2,901	1,033	983	4,917	1,770	15,874	22,561	23,249
Utilities	8,879	3,161	3,010	15,050	1,949	2,443	19,442	22,879
Office Supplies	9,734	2,546	2,655	14,935	2,274	2,186	19,395	43,429
Depreciation	6,100	2,171	2,068	10,339	-	-	10,339	15,462
Photography	1,199	427	406	2,032	-	297	2,329	30,471
Taxes and Licenses	1,029	365	348	1,742	225	282	2,249	14,447
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	4,288,756	1,643,142	1,388,619	7,320,517	788,371	1,123,864	9,232,752	18,229,390
				79%	9%	12%	100%	
Raffle Expense	-	-	-	-	96,245	2,078,759	2,175,004	2,480,194
TOTAL FUNCTIONAL EXPENSES	\$ 4,288,756	\$ 1,643,142	\$ 1,388,619	\$ 7,320,517	\$ 884,616	\$ 3,202,623	\$ 11,407,756	\$ 20,709,584
				64%	8%	28%	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, 2020

With Summarized Totals for the Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (140,516)	\$ 3,973,864
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Realized and Unrealized Gains on Investments	(203,275)	(574,225)
Depreciation	10,339	15,462
Gain on Sale of Property and Equipment	(2,136)	-
Decrease (Increase) in:		
Contributions and Pledges Receivable	1,199,567	(930,585)
Prepaid Expenses and Deposits	25,122	69,609
Increase (Decrease) in:		
Accounts Payable	(149,265)	18,845
Accrued Liabilities	84,058	50,135
Deferred Revenue	-	(500,000)
	<u>823,894</u>	<u>2,123,105</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	823,894	2,123,105
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	5,382,872	8,980,683
Purchase of Investments	(5,382,872)	(10,439,670)
Reinvested Dividends and Interest	(165,255)	(185,337)
Proceeds from Sale of Property and Equipment	2,500	-
	<u>(162,755)</u>	<u>(1,644,324)</u>
NET CASH USED IN INVESTING ACTIVITIES	(162,755)	(1,644,324)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan	1,002,400	-
	<u>1,002,400</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,663,539	478,781
Cash and Cash Equivalents - Beginning of Year	<u>2,077,591</u>	<u>1,598,810</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,741,130</u>	<u>\$ 2,077,591</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, 2020

NOTE 1 - ORGANIZATION

Special Olympics Southern California's (SOSC) 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 51 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.

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. The program exists through the work of staff and volunteers and serves 11 counties throughout Southern California.

In 2020, SOSC had to adapt how it operates due to the COVID-19 pandemic. SOSC's number one priority is the health and safety of the athletes. During the pandemic, SOSC stopped in-person activity and built out virtual sports, health, and leadership programming. This includes the Healthy Lifestyle Challenge (fitness, mindfulness, and nutritional videos, live virtual meet-ups, and clubs), Move Across California (a 6-week virtual event where teams of athletes and supporters strived to complete an epic 1,000-mile journey), e-sports, Virtual Sports Leagues, athlete and volunteer meet-ups over Zoom, and more. While programming has drastically changed, SOSC was still able to support the athletes year-round. Along with building out virtual programming, SOSC sent Unified Fitness Kits to more than 7,000 athletes. The kits included a pedometer, a jump rope, resistance bands, workout guides, and more.

SOSC continues to deliver its Unified Champion Schools Program (UCS) with access to online curriculum that benefits all students on campuses through Unified activities. SOSC also made Unified Fitness Kits available to schools in both English and Spanish. UCS promotes a socially inclusive school climate where acceptance, respect, and human dignity for all students is the goal. In a distance learning environment, SOSC supports educators and preschool-transition students by providing an online curriculum promoting inclusive school climates, anti-bullying, and fitness. Online options in all three UCS components (Unified Sports, Inclusive Youth Leadership and Whole School Engagement) are offered, a testament to SOSC's commitment to provide the same opportunities to schools prior to remote learning.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - ORGANIZATION (continued)

SOSC also supported children ages 2-7 in an early intervention program called Young Athletes (YA). More than 2,000 backpacks were distributed to families of children participating in YA. This supplied parents and guardians with an activity kit that includes fun and engaging equipment and flashcards for families to use at home. Both English and Spanish language resources are available in print form with access to multiple other languages available online. Additionally, online content has been developed to support both educators and families, from user-friendly online resources to live weekly training sessions and celebration events.

The pandemic provided SOSC with the opportunity to transform its Athlete Leadership training and tools to a virtual setting, which will help the program grow even after the pandemic. SOSC has two athletes serving on the Board of Directors; one working as a full-time paid employee; and 125 Global Messenger athletes, who helped spread the word about Special Olympics by making hundreds of virtual presentations to civic and community groups, corporations, and volunteers in 2020. SOSC also recruited and trained dozens of Health Messenger athletes, who serve as a health and wellness leader, educator, advocate, and role model within their Special Olympics communities and the community at large.

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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) NET ASSETS (continued)

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(c) CASH AND CASH EQUIVALENTS

SOSC has defined cash and cash equivalents as cash in banks, money market funds and certificates of deposits with original maturities of less than three months. The carrying value of cash and cash equivalents at December 31, 2020 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 the statement of activities and represent 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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

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

Contributions and pledges receivable are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and contributions and pledges receivable and are adjusted annually. At December 31, 2020, all contributions and pledges receivable are due and expected to be collected in full within the following year, and, as a result, no discount or allowance for uncollectible pledges receivable was established.

(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, 2020.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 LOAN

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (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 \$31.51 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California in 2019 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, 2020

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, 2020, 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, 2019, from which the summarized information was derived.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) RECLASSIFICATIONS

For comparability, certain December 31, 2019 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2020.

(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, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 3, 2021, 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, 2020

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, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2020	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	\$ 2,103,342	\$ 2,103,342	\$ -	\$ -
Fixed Income	4,488,335	4,488,335	-	-
Growth Equity:				
Small Cap	8,294	8,294	-	-
Large Cap	2,124,675	2,124,675	-	-
TOTAL INVESTMENTS	\$ 8,724,646	\$ 8,724,646	\$ -	\$ -

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.

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NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 consist of the following:

Computer Equipment	\$ 469,421
Vehicles	177,355
Furniture and Equipment	<u>60,051</u>
TOTAL	706,827
Less: Accumulated Depreciation	<u>(699,292)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 7,535</u>

Depreciation expense for the year ended December 31, 2020 was \$10,339.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2020 consist of the following:

Accrued Vacation	\$ 279,166
Accrued Payroll	162,663
Accrued Unemployment Liability	<u>34,053</u>
TOTAL ACCRUED LIABILITIES	<u>\$ 475,882</u>

SOSC has elected to be self-insured for the purposes of employee unemployment claims. The reserve for unemployment liability at December 31, 2020 of \$34,053, included in accrued liabilities, represents estimated future claims arising from current and past employees. Additionally, SOSC holds an unemployment insurance deposit amount of \$77,297, to be used against future claims, which is included in prepaid expenses and deposits at December 31, 2020.

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.

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NOTE 7 - PAYCHECK PROTECTION PROGRAM LOANS

In April 2020 SOSC received a PPP loan in the amount of \$1,002,400. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. To the extent that all or part of the PPP loan is not forgiven, SOSC will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. At December 31, 2020, the total outstanding balance of the PPP loan was \$1,002,400.

In December 2020, SOSC submitted its application for forgiveness for the full amount of the PPP loan. Subsequent to year end, in April 2021, SOSC received forgiveness of the full amount of the loan together with accrued interest. Accordingly, SOSC will recognize loan forgiveness income of \$1,002,400 during the year ending December 31, 2021.

In addition, 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, 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.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

SOSC leases equipment and office space under various operating leases expiring through October 2024. Subsequent to year-end, SOSC extended several 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

2021	\$ 437,244
2022	388,097
2023	80,117
2024	<u>69,517</u>
TOTAL	<u>\$ 974,975</u>

The rent and equipment rental expense under these leases for the year ended December 31, 2020 was \$509,956.

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December 31, 2020

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

(b) LEGAL PROCEEDINGS

In the normal course of business, SOSOC 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 SOSOC as of December 31, 2020.

NOTE 9 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2020 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 652,790	\$ 101,216	\$ 311,894	\$ 1,065,900
Goods	19,335	-	23,050	42,385
Use of Facilities and Equipment	80,314	-	7,000	87,314
TOTAL CONTRIBUTED GOODS AND SERVICES	752,439	101,216	341,944	1,195,599
Less: Cost of Direct Benefits to Donors	-	-	(33,350)	(33,350)
Less: Other Dream Raffle Services	-	(96,245)	(283,949)	(380,194)
CONTRIBUTED GOODS AND SERVICES (NET)	\$ 752,439	\$ 4,971	\$ 24,645	\$ 782,055

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

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NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to Expenditure for Specified Purpose:	
Unified Champion School Programs	\$ 61,587
Health and Young Athlete Initiatives	125,000
Other Activities	<u>9,438</u>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	196,025
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowment	75,000
Unspent Endowment Earnings	<u>24,230</u>
TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY	<u>99,230</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 295,255</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, 2020:

Expiration of Time Restrictions	\$ 2,500,000
Satisfaction of Purpose Restrictions:	
Unified Champion School Programs	2,833
Health and Young Athlete Initiatives	88,810
Other Activities	<u>194,256</u>
TOTAL RELEASED DUE TO SATISFACTION OF PURPOSE RESTRICTIONS	<u>285,899</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,785,899</u>

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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, 2020, SOSC's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund at December 31, 2020	<u>With Donor Restrictions</u>
Donor-Restricted	<u>\$ 99,230</u>
Changes in Endowment Net Assets for the Year Ended December 31, 2020	
Endowment Net Assets - Beginning of Year	\$ 94,566
Investment Return (Net)	<u>4,664</u>
<i>ENDOWMENT NET ASSETS - END OF YEAR</i>	<u><u>\$ 99,230</u></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, 2020.

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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 \$161,394 for the year ended December 31, 2020. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,540,109 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2020. Contributions and pledges receivable at December 31, 2020 include \$328,977 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 \$83,400 to the plan for the year ended December 31, 2020.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by SOSC at December 31, 2020 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, 2020:	
Cash and Cash Equivalents	\$ 3,741,130
Investments	8,724,646
Contributions and Pledges Receivable	<u>498,736</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2020	12,964,512
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held for Perpetual Endowments And Unspent Endowment Earnings	(99,230)
Funds Held with Purpose Restrictions	<u>(196,025)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 12,669,257</u>

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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.