

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015 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 26, 2015
Los Angeles, California

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2014

With Summarized Totals at December 31, 2013

ASSETS	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Cash and Cash Equivalents	\$ 653,727	\$ 232,877	\$ 886,604	\$ 878,458
Investments	4,659,074	-	4,659,074	3,902,075
Contributions and Pledges Receivable	558,021	-	558,021	618,281
Related Party Receivable	274,566	-	274,566	507,593
Prepaid Expenses and Deposits	288,591	-	288,591	494,263
Property and Equipment (Net)	108,220	-	108,220	168,906
TOTAL ASSETS	\$ 6,542,199	\$ 232,877	\$ 6,775,076	\$ 6,569,576
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 307,705	\$ -	\$ 307,705	\$ 443,476
Accrued Liabilities	323,348	-	323,348	311,079
TOTAL LIABILITIES	631,053	-	631,053	754,555
NET ASSETS:				
Unrestricted	5,911,146	-	5,911,146	5,434,918
Temporarily Restricted	-	232,877	232,877	380,103
TOTAL NET ASSETS	5,911,146	232,877	6,144,023	5,815,021
TOTAL LIABILITIES AND NET ASSETS	\$ 6,542,199	\$ 232,877	\$ 6,775,076	\$ 6,569,576

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, 2014
With Summarized Totals for the Year Ended December 31, 2013

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SPECIAL EVENTS:					
Special Events	\$ 3,295,126	\$ 3,500	\$ -	\$ 3,298,626	\$ 3,633,637
Less: Cost of Direct Benefits to Donors	(1,009,802)	-	-	(1,009,802)	(918,886)
House Raffle	6,047,550	-	-	6,047,550	5,649,100
Less: Cost of Direct Benefits to Donors	(1,709,236)	-	-	(1,709,236)	(1,559,069)
NET REVENUES FROM SPECIAL EVENTS	6,623,638	3,500	-	6,627,138	6,804,782
REVENUES AND SUPPORT:					
Contributed Goods and Services	5,839,705	-	-	5,839,705	6,636,291
Contributions	3,284,409	42,167	-	3,326,576	3,489,015
Direct Marketing	1,022,174	-	-	1,022,174	946,369
TOTAL REVENUES AND SUPPORT	10,146,288	42,167	-	10,188,455	11,071,675
OTHER INCOME:					
Dividends and Interest Income	116,107	2,978	-	119,085	130,618
Other Income	38,958	-	-	38,958	55,690
Realized and Unrealized Gains on Investments	154,356	-	-	154,356	56,142
Loss on Disposal of Assets (Net)				-	(18,651)
Net Assets Released from:					
Purpose Restrictions	117,923	(117,923)	-	-	-
Time Restrictions	77,948	(77,948)	-	-	-
TOTAL OTHER INCOME	505,292	(192,893)	-	312,399	223,799
TOTAL REVENUES, SUPPORT, AND OTHER INCOME	17,275,218	(147,226)	-	17,127,992	18,100,256
EXPENSES:					
Program Services	12,874,017	-	-	12,874,017	13,370,074
Management and General	377,556	-	-	377,556	416,006
Fundraising	3,547,417	-	-	3,547,417	3,446,245
TOTAL EXPENSES	16,798,990	-	-	16,798,990	17,232,325
CHANGE IN NET ASSETS	476,228	(147,226)	-	329,002	867,931
Net Assets - Beginning of Year	5,434,918	380,103		5,815,021	4,947,090
NET ASSETS - END OF YEAR	\$ 5,911,146	\$ 232,877	\$ -	\$ 6,144,023	\$ 5,815,021

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, 2014

With Summarized Totals for the Year Ended December 31, 2013

	2014				2013 Total
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 2,960,846	\$ 255,446	\$ 654,095	\$ 3,870,387	\$ 3,736,163
Payroll Taxes	228,045	19,674	50,379	298,098	272,159
Employee Benefits	444,125	37,985	97,264	579,374	472,413
TOTAL PERSONNEL COSTS	3,633,016	313,105	801,738	4,747,859	4,480,735
Contributed Goods and Services (Note 10)	5,839,705	-	53,601	5,893,306	6,755,277
Transportation	415,231	873	41,395	457,499	366,396
Professional Services	282,980	10,432	151,426	444,838	469,796
Facilities Rental	330,786	801	10,153	341,740	302,637
Meals	302,675	408	29,582	332,665	257,371
Rent	239,951	20,702	53,009	313,662	302,816
Lodging	297,141	32	7,614	304,787	288,729
Event Supplies	223,057	15	64,413	287,485	231,623
Uniforms	254,283	60	5,977	260,320	226,119
Equipment Rental	193,069	286	2,226	195,581	188,582
Accreditation Fees (Note 12)	174,587	-	-	174,587	170,336
Insurance	148,464	1,121	7,133	156,718	163,940
Office Supplies	102,083	7,761	21,957	131,801	114,079
Awards and Recognition	73,155	4	27,374	100,533	43,859
Telephone	76,542	6,057	17,196	99,795	96,074
Bank Charges	-	3,359	86,091	89,450	85,048
Equipment Service	62,543	5,396	13,817	81,756	71,962
Depreciation	60,686	-	-	60,686	108,792
Printing	32,969	180	26,039	59,188	54,810
Contract Services	35,656	3,076	7,877	46,609	49,673
Postage and Delivery	25,901	1,658	12,205	39,764	33,602
Photography	19,951	426	9,200	29,577	20,126
Event Fees	17,822	109	1,780	19,711	42,829
Taxes and Licenses	13,240	951	2,711	16,902	1,537
Dues and Publications	9,611	191	2,981	12,783	9,574
Utilities	5,801	500	1,282	7,583	16,825
Miscellaneous Expense	3,112	53	135	3,300	705
Grants Made	-	-	-	-	250,000
FUNCTIONAL EXPENSES BEFORE RAFFLE EXPENSE	12,874,017	377,556	1,458,912	14,710,485	15,203,852
	88%	2%	10%	100%	
Raffle Expense	-	-	2,088,505	2,088,505	2,028,473
TOTAL 2014 FUNCTIONAL EXPENSES	\$ 12,874,017	\$ 377,556	\$ 3,547,417	\$ 16,798,990	
	77%	2%	21%	100%	
TOTAL 2013 FUNCTIONAL EXPENSES	\$ 13,370,074	\$ 416,006	\$ 3,446,245		\$ 17,232,325
	78%	2%	20%		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, 2014

With Summarized Totals for the Year Ended December 31, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 329,002	\$ 867,931
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	60,686	108,792
Reinvested Dividends and Interest	(102,643)	(91,749)
Realized and Unrealized Gains on Investments	(154,356)	(56,142)
Donated Stock	(21,190)	(18,078)
Proceeds from Sale of Donated Stock	21,190	18,078
Loss on Disposal of Assets (Net)	-	18,651
(Increase) Decrease in:		
Contributions and Pledges Receivable	60,260	(260,962)
Related Party Receivable	233,027	(7,521)
Prepaid Expenses and Deposits	205,672	(147,973)
Increase (Decrease) in:		
Accounts Payable	(135,771)	136,448
Accrued Liabilities	12,269	(80,895)
NET CASH PROVIDED BY OPERATING ACTIVITIES	508,146	486,580
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	1,746,269	-
Purchase of Investments	(2,246,269)	(636,340)
Proceeds from Sale of Property and Equipment	-	3,000
Purchase of Property and Equipment	-	(80,945)
NET CASH USED IN INVESTING ACTIVITIES	(500,000)	(714,285)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,146	(227,705)
Cash and Cash Equivalents - Beginning of Year	878,458	1,106,163
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 886,604	\$ 878,458

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, 2014

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 46 years, the positive effect of Special Olympics Southern California (SOSC) has had an impact not only on the lives of its athletes, but those of their families, volunteers and the communities in which they live. It is the goal of SOSC to assist all individuals with intellectual disabilities to be accepted, respected and given a chance to become productive citizens.

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 17,500 individuals with intellectual disabilities with the help of nearly 15,000 volunteers. Athletes train year round during two six-month seasons and can choose from 12 sports at no cost. The program exists through the work of staff and volunteers in nine regional offices. Those regions hold more than 100 sports and training events throughout the year, in addition to many fundraisers supporting those events.

School-based programs continue to grow. Fifty-seven percent of SOSC's athletes are currently participating through the School Partnership Program and the average age of its athletes is 20 years of age.

The Young Athletes Program now has over 560 youth joining in this unique program for children ages 2½ to 7 with 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 and support for athletes who desire to expand their participation in Special Olympics beyond sports training and competition. SOSC now has more than 95 Global Messenger athletes who help spread the word about Special Olympics to civic and community groups, corporations and volunteers.

In addition, the Healthy Athletes Program™ offers free health care 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®

SOSC is proud that it exceeded its net surplus goal and protected cash reserves. This will assist SOSC in preparing itself for the anticipated increase in athlete and volunteer participation in the forthcoming years.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 - ORGANIZATION (continued)

SOSC is honored that Los Angeles will host the 2015 Special Olympics World Summer Games right in its own backyard. The event will be the largest sports and humanitarian event in the world. More than 7,000 athletes from 170 countries will visit Los Angeles and surrounding areas for competition in 21 sports. More than 40,000 volunteers are needed to help carry out the Games, while 500,000 spectators are expected to make a \$415 million economic impact on Los Angeles County. The Special Olympics World Games is an international sporting competition similar to the Olympic Games, where summer and winter versions are held every two years alternately. Sporting events will be free and open to the public with a number of ticketed events available as well.

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 \$232,877 of temporarily restricted net assets at December 31, 2014.

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 does not have permanently restricted net assets at December 31, 2014.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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, 2014 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	5 Years
Vehicles	5 Years
Furniture and Equipment	5 Years

Property and equipment are capitalized if the cost of an asset is greater than one 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, 2014.

(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, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) CONCENTRATION OF CREDIT RISK

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

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

(j) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received. Volunteer services that met the reporting criteria were valued at an average of \$26.34 per hour based on the published "Dollar Value of a Volunteer Hour" for the State of California 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.

(k) ADVERTISING COSTS

Advertising costs were expensed as incurred. Advertising costs for the year ended December 31, 2014 were \$256,807.

(l) INCOME TAXES

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

(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 salary dollars 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.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 SOSOC's financial statements for the year ended December 31, 2013 from which the summarized information was derived.

(p) SUBSEQUENT EVENTS

SOSOC has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 26, 2015, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - FAIR VALUE MEASUREMENTS

SOSOC 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 SOSOC's assets that are measured at fair value on a recurring basis at December 31, 2014 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2014	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	\$ 505,772	\$ 505,772	\$ -	\$ -
Fixed Income	1,863,180	1,863,180	-	-
International	428,022	428,022	-	-
Large Cap Growth	1,862,100	1,862,100	-	-
TOTAL MUTUAL FUND INVESTMENTS	\$ 4,659,074	\$ 4,659,074	\$ -	\$ -

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The fair values of marketable securities within Level 1 inputs are 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, 2014.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

All contributions and pledges receivable are deemed to be fully collectible at December 31, 2014; therefore, no allowance for doubtful pledges has been recorded. The total amount of contributions and pledges receivable at December 31, 2014 is \$558,021, all of which are expected to be collected within one year. Refer to Note 8 for conditional contributions and pledges receivable that have not met the criteria to be recognized as support.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 consist of the following:

Computer Equipment	\$	447,758
Vehicles		124,891
Furniture and Equipment		<u>45,669</u>
TOTAL		618,318
Less: Accumulated Depreciation		<u>(510,098)</u>
PROPERTY AND EQUIPMENT (NET)	\$	<u>108,220</u>

Depreciation expense for the year ended December 31, 2014 was \$60,686.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2014 consist of the following:

Accrued Vacation	\$	248,559
Accrued Unemployment		15,904
Other		<u>58,885</u>
TOTAL ACCRUED LIABILITIES	\$	<u>323,348</u>

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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, 2014 of \$15,904, included in accrued liabilities, represents estimated future claims arising from current and past employees. Unemployment expense for the year ended December 31, 2014 was \$16,735.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at January 1, 2014	\$ 18,745	\$ -	\$ 18,745
Self-Insurance Expenses Incurred (Net)	(19,576)	-	(19,576)
Payments Made to Fund Related Liabilities	16,735	-	16,735
<i>BALANCE AT DECEMBER 31, 2014</i>	<i>\$ 15,904</i>	<i>\$ -</i>	<i>\$ 15,904</i>

Additionally, SOSC holds an unemployment insurance deposit amount of \$84,159, to be used against future claims, as of December 31, 2014.

NOTE 8 - 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.

NOTE 9 - COMMITMENTS

SOSC leases equipment and office space under various operating leases expiring through February 2018. 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	
2015	\$ 325,796
2016	283,804
2017	68,371
2018	1,818
<i>TOTAL</i>	<i>\$ 679,789</i>

The rent and equipment rental expense under these leases for the year ended December 31, 2014 was \$351,052.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 10 - CONTRIBUTED GOODS AND SERVICES

Contributed goods, services, and use of facilities and equipment during the year ended December 31, 2014 are as follows:

	Program Related	Management and General	Fundraising (Special Events)	Total
Contributed:				
Services	\$ 5,354,370	\$ -	\$ 51,112	\$ 5,405,482
Goods	182,906	-	174,405	357,311
Use of Facilities and Equipment	302,429	-	82,004	384,433
TOTAL CONTRIBUTED GOODS AND SERVICES	5,839,705	-	307,521	6,147,226
Less: Cost of Direct Benefits to Donors	-	-	(253,920)	(253,920)
CONTRIBUTED GOODS AND SERVICES (NET)	<u>\$ 5,839,705</u>	<u>\$ -</u>	<u>\$ 53,601</u>	<u>\$ 5,893,306</u>

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

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at December 31, 2014:

Time Restricted	\$ 10,694
Games and Championships	201,305
Other Program Uses	18,052
Volunteer Activities	<u>2,826</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 232,877</u>

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 \$174,587 for the year ended December 31, 2014. These fees are reported as program costs in the accompanying statement of functional expenses. In addition, SOSC received \$1,531,313 in contributions relating to direct marketing programs and other fundraising campaigns from SOI during the year ended December 31, 2014. Contributions and pledges receivable include \$319,095 due from SOI.

SOSC issued a revolving line of credit to the 2015 Special Olympics World Summer Games Organizing Committee, Inc. (GOC), with a maximum limit of \$500,000. The advances were to be used for purposes of enabling GOC to pay its necessary payroll and other operating expenses in connection with the planning and preparation for the 2015 Special Olympics World Summer Games to be held in 2015. Simple interest accrued on the outstanding principal balance at a per annum rate of 6%. The line of credit was repaid in full during the year ended December 31, 2014. In connection with the repayment SOSC received \$500,031 as principal repayment and \$14,878 in interest payments during the year ended December 31, 2014.

SPECIAL OLYMPICS SOUTHERN CALIFORNIA, INC.

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 12 - RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2014, SOSC made a contribution to the GOC of \$314,644 to support the 2014 Summer Games Invitational.

During the year ended December 31, 2013, SOSC and GOC entered into a memorandum of understanding which sets forth the principles of coordination between the organizations with respect to the 2015 Special Olympics World Summer Games that will take place in and around Los Angeles, California in 2015. As part of this memorandum of understanding the GOC has agreed to make a contribution to SOSC equal to 2.5% of all cash revenue received through December 31, 2015. At December 31, 2014 the amount owed to SOSC in connection with this agreement is \$274,566.

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 \$67,546 to the plan for the year ended December 31, 2014.