

Special Olympics Northern California, Inc.

Financial Statements
and Supplementary Information

December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Special Olympics Northern California, Inc.
Pleasant Hill, California

Opinion

We have audited the accompanying financial statements of Special Olympics Northern California, Inc. (a California nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Northern California, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted FASB Topic 842 *Leases* and FASB Topic 958 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Olympics Northern California, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 22 - 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Armanino^{LLP}
San Francisco, California

May 19, 2023

Special Olympics Northern California, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,350,720	\$ 9,230,394
Contributions and grants receivable	15,256,989	243,634
Employee retention tax credit receivable	284,324	-
Due from affiliated organization	714,177	876,246
Prepaid expenses	264,609	135,058
Other current assets	76,935	84,262
Total current assets	24,947,754	10,569,594
Noncurrent assets		
Other assets	15,000	15,000
Deposits	50,954	50,954
Equipment and leasehold improvements, net	125,763	36,467
Operating lease right-of-use-asset	2,467,223	-
Total noncurrent assets	2,658,940	102,421
Total assets	\$ 27,606,694	\$ 10,672,015
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 559,918	\$ 350,971
Operating lease liability	387,424	-
Note payable - Paycheck Protection Program	-	779,635
Note payable - Economic Injury Disaster Loan	7,692	7,692
Total current liabilities	955,034	1,138,298
Long-term liabilities		
Operating lease liability, net of current portion	2,180,034	-
Note payable - Economic Injury Disaster Loan, net of current portion	141,205	142,308
Total long-term liabilities	2,321,239	142,308
Total liabilities	3,276,273	1,280,606
Net assets		
Without donor restrictions	7,126,542	3,640,298
With donor restrictions	17,203,879	5,751,111
Total net assets	24,330,421	9,391,409
Total liabilities and net assets	\$ 27,606,694	\$ 10,672,015

The accompanying notes are an integral part of these financial statements.

Special Olympics Northern California, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Special event revenue, net			
Proceeds from fundraising events	\$ 1,944,409	\$ -	\$ 1,944,409
Expenses from fundraising events	<u>(377,372)</u>	<u>-</u>	<u>(377,372)</u>
Total special event revenue, net	1,567,037	-	1,567,037
Contributions of nonfinancial assets	6,865,000	-	6,865,000
Public contributions	4,060,962	2,368,504	6,429,466
Grants	654,630	15,000,000	15,654,630
Contributions from bequests, estates, and trusts	618,805	-	618,805
Contributions from Special Olympics, Inc.	-	624,836	624,836
Gain on forgiveness of Paycheck Protection Program loan	779,635	-	779,635
Employee retention tax credit	541,563	-	541,563
Other revenue	<u>104,885</u>	<u>-</u>	<u>104,885</u>
Total revenues, gains, and other support	15,192,517	17,993,340	33,185,857
Net assets released from restriction	<u>6,540,572</u>	<u>(6,540,572)</u>	<u>-</u>
Total revenues, gains, and other support	<u>21,733,089</u>	<u>11,452,768</u>	<u>33,185,857</u>
Functional expenses			
Program services	<u>15,010,712</u>	<u>-</u>	<u>15,010,712</u>
Support services			
General and administrative	407,088	-	407,088
Fundraising	<u>2,829,045</u>	<u>-</u>	<u>2,829,045</u>
Total support services	<u>3,236,133</u>	<u>-</u>	<u>3,236,133</u>
Total functional expenses	<u>18,246,845</u>	<u>-</u>	<u>18,246,845</u>
Change in net assets	3,486,244	11,452,768	14,939,012
Net assets, beginning of year	<u>3,640,298</u>	<u>5,751,111</u>	<u>9,391,409</u>
Net assets, end of year	<u>\$ 7,126,542</u>	<u>\$ 17,203,879</u>	<u>\$ 24,330,421</u>

The accompanying notes are an integral part of these financial statements.

Special Olympics Northern California, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Special event revenue, net			
Proceeds from fundraising events	\$ 1,366,601	\$ -	\$ 1,366,601
Expenses from fundraising events	<u>(249,280)</u>	<u>-</u>	<u>(249,280)</u>
Total special event revenue, net	1,117,321	-	1,117,321
Contributions of nonfinancial assets	3,020,083	-	3,020,083
Public contributions	820,429	5,423,637	6,244,066
Grants	3,585,722	-	3,585,722
Contributions from bequests, estates, and trusts	536,316	-	536,316
Contributions from Special Olympics, Inc.	-	398,535	398,535
Gain on forgiveness of Paycheck Protection Program loan	802,800	-	802,800
Other revenue	<u>5,225</u>	<u>-</u>	<u>5,225</u>
Total revenues, gains, and other support	<u>9,887,896</u>	<u>5,822,172</u>	<u>15,710,068</u>
Net assets released from restriction	<u>2,560,543</u>	<u>(2,560,543)</u>	<u>-</u>
Total revenues, gains, and other support	<u>12,448,439</u>	<u>3,261,629</u>	<u>15,710,068</u>
Functional expenses			
Program services	<u>8,748,458</u>	<u>-</u>	<u>8,748,458</u>
Support services			
General and administrative	369,638	-	369,638
Fundraising	<u>2,147,483</u>	<u>-</u>	<u>2,147,483</u>
Total support services	<u>2,517,121</u>	<u>-</u>	<u>2,517,121</u>
Total functional expenses	<u>11,265,579</u>	<u>-</u>	<u>11,265,579</u>
Change in net assets	1,182,860	3,261,629	4,444,489
Net assets, beginning of year	<u>2,457,438</u>	<u>2,489,482</u>	<u>4,946,920</u>
Net assets, end of year	<u>\$ 3,640,298</u>	<u>\$ 5,751,111</u>	<u>\$ 9,391,409</u>

The accompanying notes are an integral part of these financial statements.

Special Olympics Northern California, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
Salaries	\$ 2,997,290	\$ 288,187	\$ 1,178,382	\$ 1,466,569	\$ 4,463,859
Training and competitions	8,647,366	614	2,812	3,426	8,650,792
Professional fees and consultants	749,928	43,090	1,049,994	1,093,084	1,843,012
Partnership grants	341,233	-	-	-	341,233
Office costs	460,967	40,485	166,648	207,133	668,100
Benefits	362,098	7,001	133,074	140,075	502,173
Travel, meetings, and conferences	163,235	4,984	105,277	110,261	273,496
Payroll taxes	255,094	5,617	87,955	93,572	348,666
Payments to affiliates - Special Olympics, Inc.	815,529	-	-	-	815,529
Other expenses	97,018	3,770	58,555	62,325	159,343
Insurance	96,710	10,646	37,369	48,015	144,725
Depreciation and amortization	21,444	2,383	7,942	10,325	31,769
Interest expense	2,800	311	1,037	1,348	4,148
	<u>\$ 15,010,712</u>	<u>\$ 407,088</u>	<u>\$ 2,829,045</u>	<u>\$ 3,236,133</u>	<u>\$ 18,246,845</u>

The accompanying notes are an integral part of these financial statements.

Special Olympics Northern California, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
Salaries	\$ 2,451,708	\$ 229,686	\$ 897,021	\$ 1,126,707	\$ 3,578,415
Training and competitions	3,374,669	641	673	1,314	3,375,983
Professional fees and consultants	732,009	61,103	899,723	960,826	1,692,835
Partnership grants	220,854	-	-	-	220,854
Office costs	365,362	31,867	121,341	153,208	518,570
Benefits	276,840	20,435	88,920	109,355	386,195
Travel, meetings, and conferences	39,218	1,133	21,073	22,206	61,424
Payroll taxes	213,835	12,743	68,883	81,626	295,461
Payments to affiliates - Special Olympics, Inc.	924,859	-	-	-	924,859
Other expenses	53,313	1,431	14,518	15,949	69,262
Insurance	83,186	9,198	30,662	39,860	123,046
Depreciation and amortization	9,211	1,024	3,412	4,436	13,647
Interest expense	3,394	377	1,257	1,634	5,028
	<u>\$ 8,748,458</u>	<u>\$ 369,638</u>	<u>\$ 2,147,483</u>	<u>\$ 2,517,121</u>	<u>\$ 11,265,579</u>

The accompanying notes are an integral part of these financial statements.

Special Olympics Northern California, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 14,939,012	\$ 4,444,489
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	31,769	13,647
Amortization of operating lease right-of-use-asset	364,898	-
Loss on disposal of equipment and leasehold improvements	2,695	-
Gain on forgiveness of Paycheck Protection Program loan	(779,635)	(802,800)
Changes in operating assets and liabilities		
Contributions and grants receivable	(15,013,355)	469,978
Employee retention tax credit receivable	(284,324)	-
Due from affiliated organization	162,069	226,275
Prepaid expenses	(129,551)	112,234
Other current assets	7,327	(19,116)
Deposits	-	(425)
Accounts payable and accrued expenses	208,947	86,094
Operating lease liability	(264,663)	-
Net cash provided by (used in) operating activities	(754,811)	4,530,376
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(123,760)	(28,272)
Net cash used in investing activities	(123,760)	(28,272)
Cash flows from financing activities		
Principal payments on Economic Injury Disaster Loan	(1,103)	-
Proceeds from Paycheck Protection Program loan	-	779,635
Net cash provided by (used in) financing activities	(1,103)	779,635
Net increase (decrease) in cash and cash equivalents	(879,674)	5,281,739
Cash and cash equivalents, beginning of year	9,230,394	3,948,655
Cash and cash equivalents, end of year	\$ 8,350,720	\$ 9,230,394

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 4,148	\$ 2,587
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Supplemental schedule of noncash investing and financing activities

Right-of-use asset obtained in exchange for lease liability	\$ 2,832,121	\$ -
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The accompanying notes are an integral part of these financial statements.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

1. NATURE OF OPERATIONS

In July 1995, Special Olympics Northern California, Inc. (the "Organization") began operations. Prior to July 1995, the Organization, together with what is now separately operated as Special Olympics Southern California, Inc., operated as California Special Olympics, Inc., which served the entire state of California. The separation occurred primarily to enable each newly organized entity to better serve its respective areas. The Organization is an accredited chapter of the Special Olympics, Inc. ("SOI") organization that promotes and administers sports and competition programs for intellectually disabled children and adults.

The Organization oversees and manages all fundraising and program activities in Northern California and Nevada. The Organization continues to do business in the state of Nevada under the name Special Olympics Nevada.

The Organization operates local programs in more than 50 counties in Northern California and Nevada. These local programs are not separate legal entities, but are generally known to the public locally as Special Olympics "County Name" or Special Olympics "City Name."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Classification of net assets

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed stipulations. Included in net assets without donor restrictions are \$500,000 for which the Board of Directors has designated as a general reserve.
- *Net assets with donor restrictions* - Net assets restricted by donor-imposed stipulations that either expire with the passage of time or the satisfaction of the stipulations by the Organization. In addition, unconditional promises to give with payments due in future periods are reported as net assets with donor restrictions.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the barrier for which they depend is achieved and/or the right of return or release has been overcome. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the related contributions. The Organization establishes an allowance for doubtful contributions receivable based on historical collection experience and management's evaluation of collectability of outstanding contributions receivable. Receivables are charged against the allowance for doubtful accounts when management believes that collectability is unlikely. Bad debt recoveries are included in income as realized. Contributions receivable are stated net of an allowance for doubtful accounts. Management has deemed all outstanding contributions receivable to be fully collectible, and therefore, no allowance for doubtful contributions receivable has been recorded as of December 31, 2022 and 2021.

Contributions of long-lived assets without donor stipulations concerning the use of such long-lived assets are reported as net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as net assets with donor restrictions. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of nonfinancial assets

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. More than 15,200 volunteers in 2022 and 11,600 volunteers in 2021, have made contributions of time to support the Organization's functions. The value of this contributed time, while important to the Organization, is not reflected in the accompanying financial statements, as it does not technically meet the recognition criteria. However, the Organization had a substantial amount of time contributed by certified coaches to support the athletes that compete in the Organization's functions. The value of their contributed time meets the criteria for recognition under U.S. GAAP. Accordingly, the fair value of the contributed services received by 5,839 and 4,930 certified coaches in 2022 and 2021, respectively, is reflected as revenue and expense amounting to \$6,162,759 and \$2,951,534 for the years ended December 31, 2022 and 2021, respectively (see Note 8). Materials donated are recorded at the estimated fair value at the time of the contribution and are reflected as revenue and expenses in the statements of activities.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization maintains cash and cash equivalents with major financial institutions. The Organization considers all highly liquid investments and certificates of deposit purchased with original maturities of three months or less to be cash equivalents. Periodically, cash on deposit may be in excess of federally insured limits. The Organization believes that it mitigates this risk by maintaining deposits with high credit quality institutions.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost when purchased or at estimated fair value at the date of receipt, if donated. Donated property and equipment is included in net assets without donor restrictions when placed into service by the Organization, unless restricted as to the use by explicit donor stipulation. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. The Organization capitalizes equipment and leasehold improvements with an original cost in excess of \$1,000 and an estimated useful life in excess of one year. Equipment is depreciated using the straight-line method over the estimated useful life of the asset, ranging from 3 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining lease term. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income.

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future, and records an adjustment to the carrying value as applicable.

Functional expense allocation

Expenses, such as depreciation and amortization, supplies, travel, personnel, and occupancy costs are allocated among program services, general and administrative, and fundraising classifications on the basis of job functions, time records, and management's estimates.

Income tax status

The Organization is exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and from state franchise and/or income taxes under the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions and has concluded that, as of December 31, 2022 and 2021, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary. The Organization files U.S. federal, and California state tax returns. For U.S. federal tax returns, the Organization is no longer subject to tax examination for years prior to 2019. For California state tax returns, the Organization is generally no longer subject to tax examinations for years prior to 2018.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, an initial lease liability of \$2,832,121 which represents the present value of the remaining operating lease payments of \$3,021,997 discounted using risk free rates ranging from 0.53% to 1.59%, and a right-of-use asset of \$2,832,121.

The standard had a material impact to Organization's statement of financial position as of December 31, 2022, but did not have a material impact on the Organization's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of December 31, 2022.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 addresses stakeholder requests for more transparent disclosures of how a nonprofit organization values and utilizes contributed nonfinancial assets. ASU 2020-07 amends presentation and disclosure requirements for contributed nonfinancial assets, without changing recognition and measurement principles. Specifically, in the statement of activities, a nonprofit organization must present contributed nonfinancial assets separately from cash contributions or other financial assets. Furthermore, certain information must be disclosed for each category of contributed nonfinancial asset recognized within the statement of activities during the reporting period (see Note 8). The Organization adopted ASU 2020-07 with a date of initial application of January 1, 2022 using the modified retrospective method.

Leases

The Organization leases office space and equipment under operating leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the statement of financial position. The Organization does not have any finance leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization does not have any short-term leases.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization has cash and cash equivalents available and has access to additional funds through its line of credit (Note 5). Contributions receivable will be collected from donors within one year.

The following is a quantitative disclosure which describes assets that are available within one year of the statements of financial position dates to fund general expenditures and other obligations when they become due:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 8,350,720	\$ 9,230,394
Contributions and grants receivable	15,256,989	243,634
Employee retention tax credit receivable	284,324	-
Due from affiliated organization	714,177	876,246
	24,606,210	10,350,274
Less: amounts unavailable for general expenditure within one year		
Funds restricted due to purpose or time	(17,203,879)	(5,751,111)
Add: time restrictions expected to be met within one year	910,983	1,069,116
	(16,292,896)	(4,681,995)
Financial assets available to meet cash needs for general expenditure within one year	\$ 8,313,314	\$ 5,668,279

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following:

	2022	2021
Computer hardware and software	\$ 284,904	\$ 231,182
Furniture and fixtures	283,211	216,542
Leasehold improvements	38,244	38,244
	606,359	485,968
Accumulated depreciation and amortization	(480,596)	(449,501)
	\$ 125,763	\$ 36,467

Depreciation and amortization expense amounted to \$31,769 and \$13,647 for the years ended December 31, 2022 and 2021, respectively.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

5. LINE OF CREDIT

The Organization maintains a line of credit agreement with a financial institution to facilitate operating cash flow needs. The line of credit, which bears interest at a rate equivalent to the greater of 1.50% above the indexed rate or 5.00%, provides for a maximum borrowing limit of \$750,000 and expires in August 2023. The effective interest rate as of December 31, 2022 and 2021 was approximately 9.00% and 4.75%, respectively. There was no outstanding balance under the line of credit as of December 31, 2022 or 2021.

In March 2023, the Organization repaid all amounts outstanding and terminated the line of credit agreement.

6. LOANS PAYABLE

Paycheck Protection Program

In April 2020, the Organization received loan proceeds of \$802,800 from a promissory note issued by Greater Nevada Credit Union under the Paycheck Protection Program ("PPP"), which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and administered by the U.S. Small Business Administration ("SBA"). The loan accrued interest at a rate of 1% and had an original maturity date of two years which could be extended to five years by mutual agreement between the Organization and the lender. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients could apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness was determined based on the use of the loan proceeds for payroll costs, rent, and utility expenses, and the maintenance of workforce and compensation levels with certain limitations. During the year ended December 31, 2021, the Organization received notification that the full amount of the loan had been forgiven by the SBA. The funds forgiven are reflected as revenue on the accompanying statement of activities for the year ended December 31, 2021.

In February 2021, the Organization received additional loan proceeds of \$779,635 from a promissory note issued under the second round of available funding under the PPP. Loan recipients could apply for and be granted forgiveness under similar conditions as the first round of funding. In April 2022, the Organization received notification that the full amount of the loan had been forgiven by the SBA. The funds forgiven are reflected as revenue on the accompanying statement of activities for the year ended December 31, 2022.

Economic Injury Disaster Loan

In June 2020, the Organization received loan proceeds of \$150,000 from a promissory note issued under the Economic Injury Disaster Loan and Advance Program ("EIDL") which is administered by the SBA. The term of the note is thirty years and the annual interest rate is 2.75%. Payments of principal and interest are deferred for the first 12 months of the note. The note had an outstanding balance of \$148,897 and \$150,000 at December 31, 2022 and 2021, respectively.

Special Olympics Northern California, Inc.
Notes to Financial Statements
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6. LOANS PAYABLE (continued)

Economic Injury Disaster Loan (continued)

The future maturities of the loans payable are as follows:

Year ending December 31,

2023		\$ 7,692
2024		7,692
2025		7,692
2026		7,692
2027		7,692
Thereafter		<u>110,437</u>
		<u>\$ 148,897</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Geographic restrictions	\$ 15,961,927	\$ 882,195
Time restrictions	858,783	1,019,116
Program specific restrictions	330,969	3,799,800
Sponsorships	<u>52,200</u>	<u>50,000</u>
	<u>\$ 17,203,879</u>	<u>\$ 5,751,111</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2022</u>	<u>2021</u>
Sports program specific	\$ 5,190,557	\$ 1,644,297
Geographic restrictions	280,899	55,000
Time restrictions	1,019,116	811,246
Sponsorships	<u>50,000</u>	<u>50,000</u>
	<u>\$ 6,540,572</u>	<u>\$ 2,560,543</u>

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

8. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are as follows:

	2022	2021
Certified coaches' time	\$ 6,162,759	\$ 2,951,534
Medical and officiating services	437,150	14,700
Training/competition facilities and lodging	175,797	44,525
Transportation, meals, and sports equipment	89,294	9,324
	\$ 6,865,000	\$ 3,020,083

Contributed coaches' time and medical and officiating services are valued based on the estimated hourly rate that would be paid for these services in the local area.

Contributed facilities, lodging, transportation, meals and sports equipment are valued at the estimated fair value of the respective item based on estimated values that would be received for selling similar products.

Contributions of nonfinancial assets had no restrictions for the years ended December 31, 2022 and 2021.

9. ASSESSMENT FEES DUE TO SPECIAL OLYMPICS, INC.

SOI, the international parent organization, currently levies annual assessments on chapters on a two-year cycle. Assessments due in any given year are based in part upon the Organization's financial results from two years previous. For assessment fees payable in 2022 and 2021, SOI used a formula that uses the Organization's 2020 and 2019 program expenses respectively. The Organization expensed assessments in the amounts of \$158,441 and \$122,945 in the years ended December 31, 2022 and 2021, respectively. Future assessment fees are difficult to estimate, as SOI may change the specific financial measurements used to make these calculations, change the percentage at which the assessment is calculated, or change other aspects of the formula. There was no assessment fee due as of December 31, 2022 and 2021. Assessment fees based on the Organization's 2022 financial performance will not be finalized until the 4th quarter of 2023 and will not be charged or payable until 2024. These future assessment fees are estimated to be between \$150,000 and \$200,000 annually.

10. RELATED PARTY TRANSACTIONS

The Organization had contribution revenue of approximately \$1,328,000 and \$1,473,000 generated by members of the Board of Directors and employees during the years ended December 31, 2022 and 2021, respectively.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

10. RELATED PARTY TRANSACTIONS (continued)

The Organization entered into a centralized direct mail fundraising program ("CDMP") on January 1, 1997 with SOI to take advantage of economies of scale and avoid competing and confusing messages to donors. Effective January 1, 2019, integrated direct marketing program ("IDMP") replaced CDMP campaigns with a termination date of December 31, 2021. Effective January 1, 2022, a new IDMP contract took effect, with a termination date of December 31, 2022. Under the terms of the agreement, both the Organization and SOI will each receive approximately 50% of the IDMP net revenue.

IDMP activity consisted of the following:

	2022	2021
IDMP gross revenues	\$ 2,465,852	\$ 2,640,456
IDMP cost share	(1,106,608)	(991,462)
SOI revenue share	(657,088)	(801,914)
	\$ 702,156	\$ 847,080

As of December 31, 2022 and 2021, SOI owed the Organization \$702,156 and \$847,080, respectively, for minimum required revenue payments under the IDMP agreement.

Under the terms of the annual revenue sharing formulas for multiple state fundraising programs ("MSFR"), SOI owed the Organization \$9,959 and \$29,166, for required revenue payments under the MSFR at December 31, 2022 and 2021, respectively. In addition to the MSFR program, SOI owed the Organization \$2,062 under the terms of various program grants awarded at December 31, 2022. No additional amounts were owed at December 31, 2021.

11. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2022 and 2021, the Organization incurred joint costs of \$1,106,608 and \$991,461, respectively, for informational materials and activities that included fundraising appeals. Of those joint costs, \$929,551 and \$713,852 were allocated to fundraising and \$177,057 and \$277,609 were allocated to program costs for 2022 and 2021, respectively.

12. LEASES

The Organization leases office space and equipment under non-cancelable operating lease agreements expiring in various dates through August 2030. The leases call for monthly payments of varying amounts up to \$28,151 for the office lease. At December 31, 2022 the operating lease ROU asset and operating liability amounted to \$2,467,223 and \$2,567,458, respectively.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

12. LEASES (continued)

Additional information related to leases is as follows:

Operating lease cost	\$ 407,092
Operating cash flows from operating leases	\$ 306,591
ROU assets obtained in exchange for lease obligations	\$ 2,832,121
Weighted-average remaining lease term	7.18 years
Weighted-average discount rate	1.56 %

Future minimum lease payments under non-cancelable operating leases as of December 31, 2022 are as follows:

<u>Year ending December 31,</u>	
2023	\$ 424,151
2024	403,066
2025	355,585
2026	342,518
2027	311,912
Thereafter	<u>878,174</u>
	2,715,406
Less: imputed interest	<u>(147,948)</u>
	<u><u>\$ 2,567,458</u></u>

Rent expense amounted to \$468,911 and \$493,444 for the years ended December 31, 2022 and 2021, respectively.

13. PENSION PLAN

The Organization sponsors a defined contribution pension plan (the "Plan") under Section 403(b) of the IRC covering all eligible employees. The Plan allows employees to contribute up to 15% of eligible compensation, up to the amount allowable under current income tax regulations. Employer contributions to the Plan are made annually at the discretion of the Organization's Board of Directors. Employer contributions totaled \$134,098 and \$81,737 for the years ended December 31, 2022 and 2021, respectively.

The Organization also maintains a deferred compensation plan under Section 457(b) of the IRC, which covers senior management and is funded entirely by employee contributions.

14. COMMITMENTS

The Organization has entered into annual grant agreements with several school districts for implementation of Special Olympics programs. Aggregate grant commitments to be paid out in the subsequent year as of December 31, 2022 and 2021 were \$171,667 and \$164,665 respectively.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

15. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the CARES Act and was subsequently amended through additional legislation. For an employer whose business has been financially impacted by COVID-19, the tax credit is equal to 50% of the qualified wages, up to \$10,000 per employee, paid to employees between March 12, 2020 and December 31, 2020. This was subsequently amended to equal 70% of qualified wages, up to \$10,000 per employee, paid from January 1, 2021 through September 30, 2021. The Organization determined it was eligible to apply for the ERC and calculated a total ERC of \$541,563 for the wages paid during the period March 19, 2020 through March 30, 2021. The Organization accounts for the ERC as a conditional contribution and recognized income of \$541,563 during the year ended December 31, 2022. The Organization received \$257,239 of the credit during 2022 and the remaining portion of \$284,324 is reflected as a receivable on the statement of financial position at December 31, 2022.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 19, 2023, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

SUPPLEMENTARY INFORMATION

Special Olympics Northern California, Inc.
 Statements of Activities for Special Olympics Nevada
 December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, gains, and other support		
Special event revenue, net		
Proceeds from fundraising events	\$ 186,911	\$ 242,993
Expenses from fundraising events	<u>(33,664)</u>	<u>(40,787)</u>
Total special event revenue, net	<u>153,247</u>	<u>202,206</u>
Contributions of nonfinancial assets	666,217	247,424
Public contributions	1,151,678	1,529,049
Grants	212,643	89,891
Contributions from bequests, estates, and trusts	5,000	-
Other revenue	<u>72,028</u>	<u>57,701</u>
Total revenues, gains, and other support	<u>2,260,813</u>	<u>2,126,271</u>
Functional expenses		
Program services	<u>1,694,862</u>	<u>1,201,921</u>
Support services		
General and administrative	46,713	40,744
Fundraising	<u>465,846</u>	<u>393,970</u>
Total support services	<u>512,559</u>	<u>434,714</u>
Total functional expenses	<u>2,207,421</u>	<u>1,636,635</u>
Change in net assets	<u>\$ 53,392</u>	<u>\$ 489,636</u>

Special Olympics Northern California, Inc.
Statement of Functional Expenses for Special Olympics Nevada
For The Years Ended December 31, 2022 and 2021

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Salaries	\$ 434,759	\$ 32,796	\$ 220,141	\$ 687,696	\$ 636,913
Training and competitions	800,825	-	-	800,825	343,676
Professional and consultants	110,258	4,977	162,834	278,069	286,840
Partnership grants	71,233	-	-	71,233	14,350
Office costs	50,462	4,937	16,465	71,864	66,127
Benefits	42,763	503	17,053	60,319	63,684
Travel, meetings and conferences	23,532	213	22,808	46,553	17,525
Payroll taxes	38,347	903	17,613	56,863	53,174
Payments to affiliates- Special Olympics, Inc.	99,268	-	-	99,268	106,798
Other expenses	9,500	837	3,779	14,116	29,180
Insurance	11,446	1,272	4,239	16,957	16,431
Depreciation and amortization	2,077	231	769	3,077	1,832
Interest expense	392	44	145	581	105
 Total expenses	 <u>\$ 1,694,862</u>	 <u>\$ 46,713</u>	 <u>\$ 465,846</u>	 <u>\$ 2,207,421</u>	 <u>\$ 1,636,635</u>