

Special Olympics Northern California, Inc.

Financial Statements

December 31, 2024 and 2023



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 20



INDEPENDENT AUDITOR'S REPORT

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

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, 2024 and 2023, 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, 2024 and 2023, 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 for 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.

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.

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.

Armanino LLP

San Francisco, California

May 30, 2025

Special Olympics Northern California, Inc.
 Statements of Financial Position
 December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,233,531	\$ 7,165,295
Investments	8,959,025	13,297,485
Contributions and grants receivable	231,469	469,202
Due from affiliated organization	697,081	696,845
Prepaid expenses	230,034	248,584
Other current assets	64,105	63,699
Total current assets	<u>14,415,245</u>	<u>21,941,110</u>
Noncurrent assets		
Other assets	15,000	15,000
Deposits	56,825	52,790
Equipment and leasehold improvements, net	624,794	138,221
Operating lease right-of-use-asset	<u>2,177,184</u>	<u>2,297,131</u>
Total noncurrent assets	<u>2,873,803</u>	<u>2,503,142</u>
Total assets	<u><u>\$ 17,289,048</u></u>	<u><u>\$ 24,444,252</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 633,582	\$ 660,360
Operating lease liability, current portion	395,016	385,033
Note payable - Economic Injury Disaster Loan, current portion	3,849	7,692
Total current liabilities	<u>1,032,447</u>	<u>1,053,085</u>
Long-term liabilities		
Operating lease liability, net of current portion	1,854,789	1,977,358
Note payable - Economic Injury Disaster Loan, net of current portion	137,661	137,562
Total long-term liabilities	<u>1,992,450</u>	<u>2,114,920</u>
Total liabilities	<u><u>3,024,897</u></u>	<u><u>3,168,005</u></u>
Net assets		
Without donor restrictions	7,501,086	9,025,071
With donor restrictions	6,763,065	12,251,176
Total net assets	<u>14,264,151</u>	<u>21,276,247</u>
Total liabilities and net assets	<u><u>\$ 17,289,048</u></u>	<u><u>\$ 24,444,252</u></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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Special event revenue, net			
Fundraising events revenue	\$ 2,129,958	\$ -	\$ 2,129,958
Expenses from special events	(452,162)	-	(452,162)
House and Dreams Raffle revenue	1,484,436	-	1,484,436
Cost of direct benefit to donors	<u>(1,051,650)</u>	<u>-</u>	<u>(1,051,650)</u>
Total special event revenue, net	2,110,582	-	2,110,582
Contributions of nonfinancial assets	14,819,470	-	14,819,470
Public contributions	3,218,600	2,064,272	5,282,872
Grants	594,500	-	594,500
Contributions from bequests, estates, and trusts	418,495	-	418,495
Contributions from Special Olympics, Inc.	-	778,336	778,336
Net realized and unrealized gains on investments	178,959	-	178,959
Interest income	523,129	-	523,129
Other revenue	<u>13,010</u>	<u>-</u>	<u>13,010</u>
Total revenues, gains, and other support	21,876,745	2,842,608	24,719,353
Net assets released from restriction	<u>8,330,719</u>	<u>(8,330,719)</u>	<u>-</u>
Total revenues, gains, and other support	<u>30,207,464</u>	<u>(5,488,111)</u>	<u>24,719,353</u>
Functional expenses			
Program services	<u>25,860,019</u>	<u>-</u>	<u>25,860,019</u>
Support services			
General and administrative	770,793	-	770,793
Fundraising	<u>5,100,637</u>	<u>-</u>	<u>5,100,637</u>
Total support services	<u>5,871,430</u>	<u>-</u>	<u>5,871,430</u>
Total functional expenses	<u>31,731,449</u>	<u>-</u>	<u>31,731,449</u>
Change in net assets	(1,523,985)	(5,488,111)	(7,012,096)
Net assets, beginning of year	<u>9,025,071</u>	<u>12,251,176</u>	<u>21,276,247</u>
Net assets, end of year	<u>\$ 7,501,086</u>	<u>\$ 6,763,065</u>	<u>\$ 14,264,151</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Special event revenue, net			
Fundraising events revenue	\$ 2,207,746	\$ -	\$ 2,207,746
Expenses from special events	<u>(399,799)</u>	<u>-</u>	<u>(399,799)</u>
Total special event revenue, net	<u>1,807,947</u>	<u>-</u>	<u>1,807,947</u>
Contributions of nonfinancial assets	14,236,461	-	14,236,461
Public contributions	3,689,646	2,418,924	6,108,570
Grants	1,166,312	-	1,166,312
Contributions from bequests, estates, and trusts	353,077	299,906	652,983
Contributions from Special Olympics, Inc.	-	817,355	817,355
Net realized and unrealized gains on investments	31,364	-	31,364
Interest income	637,586	-	637,586
Other revenue	36,708	-	36,708
Total revenues, gains, and other support	<u>21,959,101</u>	<u>3,536,185</u>	<u>25,495,286</u>
Net assets released from restriction	8,488,888	(8,488,888)	-
Total revenues, gains, and other support	<u>30,447,989</u>	<u>(4,952,703)</u>	<u>25,495,286</u>
Functional expenses			
Program services	<u>24,617,978</u>	<u>-</u>	<u>24,617,978</u>
Support services			
General and administrative	398,671	-	398,671
Fundraising	<u>3,532,811</u>	<u>-</u>	<u>3,532,811</u>
Total support services	<u>3,931,482</u>	<u>-</u>	<u>3,931,482</u>
Total functional expenses	<u>28,549,460</u>	<u>-</u>	<u>28,549,460</u>
Change in net assets	1,898,529	(4,952,703)	(3,054,174)
Net assets, beginning of year	<u>7,126,542</u>	<u>17,203,879</u>	<u>24,330,421</u>
Net assets, end of year	<u>\$ 9,025,071</u>	<u>\$ 12,251,176</u>	<u>\$ 21,276,247</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, 2024

	Support Services						Total
	Program Services	General and Administrative	Fundraising	Cost of Direct Benefit to Donors	Total Support Services		
Functional expenses							
Salaries	\$ 4,036,510	\$ 432,121	\$ 1,670,154	\$ -	\$ 2,102,275	\$ 6,138,785	
Training and competitions	16,567,730	536	9,669	-	10,205	16,577,935	
Professional fees and consultants	827,346	79,647	1,023,516	-	1,103,163	1,930,509	
Partnership grants	1,103,834	-	-	-	-	1,103,834	
Office costs	676,583	45,573	235,610	-	281,183	957,766	
Benefits	447,091	63,822	176,498	-	240,320	687,411	
Travel, meetings, and conferences	256,701	40,517	125,923	-	166,440	423,141	
Payroll taxes	330,679	39,667	125,279	-	164,946	495,625	
Payments to affiliates - Special Olympics, Inc.	764,597	-	-	-	-	764,597	
Other expenses	637,565	10,713	233,344	-	244,057	881,622	
Expenses from special events	-	-	-	452,162	452,162	452,162	
Insurance	109,205	18,068	55,453	-	73,521	182,726	
Depreciation and amortization	99,533	39,813	59,720	-	99,533	199,066	
Interest expense	2,645	316	987	-	1,303	3,948	
Total functional expenses before raffle expenses	25,860,019	770,793	3,716,153	452,162	4,939,108	30,799,127	
Less expenses included with revenues on the statement of activities							
Expenses from special events	-	-	-	(452,162)	(452,162)	(452,162)	
Total expenses included in the expense section on the statement of activities before raffle expense	25,860,019	770,793	3,716,153	-	4,486,946	30,346,965	
Raffle expenses	-	-	1,384,484	-	1,384,484	1,384,484	
Total expenses included in the expense section on the statement of activities	<u>\$ 25,860,019</u>	<u>\$ 770,793</u>	<u>\$ 5,100,637</u>	<u>\$ -</u>	<u>\$ 5,871,430</u>	<u>\$ 31,731,449</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, 2023

	Support Services						Total
	Program Services	General and Administrative	Fundraising	Cost of Direct Benefit to Donors	Total Support Services		
Functional expenses							
Salaries	\$ 3,876,443	\$ 250,987	\$ 1,480,318	\$ -	\$ 1,731,305	\$ 5,607,748	
Training and competitions	15,850,979	1,322	3,366	-	4,688	15,855,667	
Professional fees and consultants	1,047,324	54,594	1,131,415	-	1,186,009	2,233,333	
Partnership grants	416,397	-	-	-	-	416,397	
Office costs	569,653	43,810	175,762	-	219,572	789,225	
Benefits	460,146	8,972	152,891	-	161,863	622,009	
Travel, meetings, and conferences	334,628	9,440	148,771	-	158,211	492,839	
Payroll taxes	339,596	7,416	112,311	-	119,727	459,323	
Payments to affiliates - Special Olympics, Inc.	774,805	-	-	-	-	774,805	
Other expenses	794,987	5,301	269,020	-	274,321	1,069,308	
Expenses from special events	-	-	-	399,799	399,799	399,799	
Insurance	115,654	12,677	45,118	-	57,795	173,449	
Depreciation and amortization	34,633	3,848	12,827	-	16,675	51,308	
Interest expense	2,733	304	1,012	-	1,316	4,049	
Total functional expenses	24,617,978	398,671	3,532,811	399,799	4,331,281	28,949,259	
Less expenses included with revenues on the statement of activities							
Expenses from fundraising events	-	-	-	(399,799)	(399,799)	(399,799)	
Total expenses included in the expense section on the statement of activities	<u>\$ 24,617,978</u>	<u>\$ 398,671</u>	<u>\$ 3,532,811</u>	<u>\$ -</u>	<u>\$ 3,931,482</u>	<u>\$ 28,549,460</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (7,012,096)	\$ (3,054,174)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	199,066	51,308
Amortization of operating lease right-of-use-asset	384,330	170,092
Realized and unrealized gain on investments	(178,959)	(31,364)
Changes in operating assets and liabilities		
Contributions and grants receivable	237,733	14,787,787
Employee retention tax credit receivable	-	284,324
Due from affiliated organization	(236)	17,332
Prepaid expenses	18,550	28,740
Other current assets	(406)	521
Deposits	(4,035)	(1,836)
Accounts payable and accrued expenses	(26,778)	100,442
Operating lease liability	<u>(376,969)</u>	<u>(205,067)</u>
Net cash provided by (used in) operating activities	<u>(6,759,800)</u>	<u>12,148,105</u>
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(698,207)	(63,766)
Proceeds on sale of investments	5,160,235	19,000
Purchase of investments	(642,816)	(13,285,121)
Proceeds from sale of property and equipment	12,568	-
Net cash provided by (used in) investing activities	<u>3,831,780</u>	<u>(13,329,887)</u>
Cash flows from financing activities		
Principal payments on Economic Injury Disaster Loan	<u>(3,744)</u>	<u>(3,643)</u>
Net cash used in financing activities	<u>(3,744)</u>	<u>(3,643)</u>
Net decrease in cash and cash equivalents	(2,931,764)	(1,185,425)
Cash and cash equivalents, beginning of year	<u>7,165,295</u>	<u>8,350,720</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,233,531</u></u>	<u><u>\$ 7,165,295</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 3,948	\$ 4,049
Supplemental schedule of noncash investing and financing activities		
Right-of-use asset obtained in exchange for lease liability	\$ 500,903	\$ 272,527

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

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

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 operates local programs in 41 counties in Northern California. 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."

The Organization also previously conducted business in the state of Nevada under the name Special Olympics Nevada. During 2023, Special Olympics Nevada, Inc. became a separate legal entity and filed for and received exemption from federal income taxes under IRC Section 501(c)(3). Effective January 1, 2024, Special Olympics Nevada, Inc. was approved as the official accredited Special Olympics program for the state of Nevada by Special Olympics, Inc. In January 2024, Special Olympics Northern California, Inc. entered into a business separation agreement with Special Olympics Nevada, Inc. for Special Olympics Nevada, Inc. to separate its programming, operating equipment, and financial activities from Special Olympics Northern California, Inc. As part of the business separation agreement, Special Olympics Northern California, Inc. transferred to Special Olympics Nevada, Inc. cash and other specified assets and Special Olympics Nevada, Inc. assumed certain specified liabilities and obligations. The net amount of assets transferred to Special Olympics Nevada, Inc. during 2024 amounted to \$792,484 and is reflected as partnership grants in the statement of functional expenses.

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, 2024 and 2023

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. There are no conditional grants that have not been recognized at December 31, 2024 and 2023. 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, 2024 and 2023.

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 23,000 volunteers in 2024 and 21,000 volunteers in 2023, 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 12,510 and 11,444 certified coaches in 2024 and 2023, respectively, is reflected as revenue and expense amounting to \$13,160,338 and \$12,168,767 for the years ended December 31, 2024 and 2023, respectively (see Note 9). 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, 2024 and 2023

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.

Investments

The Organization has investments in various U.S. Treasury securities which are reported at fair value. Investments received by donation are recorded at fair value at the date of the donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions unless their use is restricted by the donor. Interest income is recognized when earned and dividends are recorded on the ex-dividend date.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the statements of financial position.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The following methods and assumptions were used to estimate the fair value of financial assets and liabilities:

- *Level 1* - The fair values of U.S. Treasury securities are based on quoted market prices in active markets.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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.

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 statements of financial position. The Organization does not have any finance leases.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 leases do 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.

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 23701d. The Organization has evaluated its current tax positions and has concluded that, as of December 31, 2024 and 2023, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform with the current year presentation. Such reclassifications had no impact on total assets, liabilities, net assets, or changes in net assets as previously reported.

Special Olympics Northern California, Inc.
 Notes to Financial Statements
 December 31, 2024 and 2023

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 6). Contributions receivable will be collected from donors within one year.

The following is a quantitative disclosure which describes financial 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:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 4,233,531	\$ 7,165,295
Investments	8,959,025	13,297,485
Contributions and grants receivable	231,469	469,202
Due from affiliated organization	697,081	696,845
	<u>14,121,106</u>	<u>21,628,827</u>
Less: amounts unavailable for general expenditure within one year		
Funds restricted due to purpose or time	(6,763,065)	(12,251,176)
Board-designated general reserve	(500,000)	(500,000)
Add: time restrictions expected to be met within one year	<u>5,882,334</u>	<u>862,665</u>
	<u>(1,380,731)</u>	<u>(11,888,511)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 12,740,375</u>	<u>\$ 9,740,316</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

	2024	2023
U.S. Treasury securities	<u>\$ 8,959,025</u>	<u>\$ 13,297,485</u>

Special Olympics Northern California, Inc.
 Notes to Financial Statements
 December 31, 2024 and 2023

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury securities	\$ 8,959,025	\$ _____ -	\$ _____ -	\$ 8,959,025
	<u>\$ 8,959,025</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 8,959,025</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury securities	\$ 13,297,485	\$ _____ -	\$ _____ -	\$ 13,297,485
	<u>\$ 13,297,485</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 13,297,485</u>

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following:

	2024	2023
Computer hardware and software	\$ 326,329	\$ 345,504
Furniture and fixtures	465,507	286,377
Leasehold improvements	<u>349,924</u>	<u>38,244</u>
	<u>1,141,760</u>	<u>670,125</u>
Accumulated depreciation and amortization	<u>(516,966)</u>	<u>(531,904)</u>
	<u>\$ 624,794</u>	<u>\$ 138,221</u>

Depreciation and amortization expense amounted to \$199,066 and \$51,308 for the years ended December 31, 2024 and 2023, respectively.

6. LINE OF CREDIT

The Organization maintains a line of credit with a financial institution. The line of credit, which bears interest at a rate equivalent to the greater of 1.25% above the indexed rate or 3.50%, provides for a maximum borrowing limit of \$750,000 and expires in May 2026. The effective interest rate as of December 31, 2024 was approximately 8.75%. There was no outstanding balance under the line of credit as of December 31, 2024 or 2023.

Special Olympics Northern California, Inc.
 Notes to Financial Statements
 December 31, 2024 and 2023

7. NOTES PAYABLE

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 U.S. Small Business Administration. The term of the note is thirty years and the annual interest rate is 2.75%. Payments of principal and interest were deferred for the first 12 months of the note. The note had an outstanding balance of \$141,510 and \$145,254 at December 31, 2024 and 2023, respectively.

The future maturities of the note payable are as follows:

Year ending December 31,

2025	\$ 3,849
2026	3,956
2027	4,066
2028	4,179
2029	4,296
Thereafter	<u>121,164</u>
	<u>\$ 141,510</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2024	2023
Time restrictions	\$ 5,854,334	\$ 824,665
Geographic restrictions	810,731	10,993,954
Program-specific restrictions	70,000	394,557
Sponsorships	<u>28,000</u>	<u>38,000</u>
	<u>\$ 6,763,065</u>	<u>\$ 12,251,176</u>

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

	2024	2023
Geographic restrictions	\$ 912,498	\$ 5,486,000
Sports programs	1,558,556	2,091,905
Time restrictions	5,824,665	858,783
Sponsorships	<u>35,000</u>	<u>52,200</u>
	<u>\$ 8,330,719</u>	<u>\$ 8,488,888</u>

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

As a result of the separation agreement between Special Olympic Northern California, Inc. and Special Olympics Nevada, Inc., approximately \$10,000,000 of net assets previously classified as geographically restricted was reclassified as time restricted due to the geographical restriction no longer applying.

9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are as follows:

	2024	2023
Certified coaches' time	\$ 13,160,338	\$ 12,168,767
Transportation, meals, and sports equipment	753,345	1,127,230
Advertising	600,973	660,689
Training/competition facilities and lodging	175,584	247,375
Office furniture	68,550	-
Medical and officiating services	52,680	32,400
Other services	<u>8,000</u>	<u>-</u>
	<u><u>\$ 14,819,470</u></u>	<u><u>\$ 14,236,461</u></u>

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

Contributed advertising, facilities, lodging, transportation, meals and sports equipment and office furniture 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, 2024 and 2023.

10. 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 2024 and 2023, SOI used a formula that uses the Organization's 2022 and 2021 program expenses respectively. The Organization expensed assessments in the amounts of \$159,527 and \$147,350 in the years ended December 31, 2024 and 2023, 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, 2024 and 2023. Assessment fees based on the Organization's 2024 financial performance will not be finalized until the 4th quarter of 2025 and will not be charged or payable until 2026. These future assessment fees are estimated to be between \$175,000 and \$250,000 annually.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

11. RELATED PARTY TRANSACTIONS

The Organization had contribution revenue of approximately \$1,071,000 and \$932,000 generated by members of the Board of Directors and employees during the years ended December 31, 2024 and 2023, respectively.

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. Effective January 1, 2023, a new IDMP contract took effect, with a termination date of December 31, 2027. 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:

	2024	2023
IDMP gross revenues	\$ 2,225,228	\$ 2,409,300
IDMP cost share	(964,665)	(1,102,101)
SOI revenue share	<u>(605,070)</u>	<u>(627,455)</u>
	<u><u>\$ 655,493</u></u>	<u><u>\$ 679,744</u></u>

As of December 31, 2024 and 2023, SOI owed the Organization \$626,324 and \$656,842, 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 \$70,757 and \$17,062, for required revenue payments under the MSFR at December 31, 2024 and 2023, respectively.

12. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2024 and 2023, the Organization incurred joint costs of \$964,665 and \$1,102,101, respectively, for informational materials and activities that included fundraising appeals. Of those joint costs, \$810,319 and \$925,765 were allocated to fundraising and \$154,346 and \$176,336 were allocated to program costs for 2024 and 2023, respectively.

13. 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, 2024, the operating lease ROU asset and operating liability amounted to \$2,177,184 and \$2,249,805, respectively. At December 31, 2023, the operating lease ROU asset and operating liability amounted to \$2,297,131 and \$2,362,391, respectively.

Special Olympics Northern California, Inc.
 Notes to Financial Statements
 December 31, 2024 and 2023

13. LEASES (continued)

Additional information related to leases is as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 431,213	\$ 406,459
Operating cash flows from operating leases	421,228	439,642
ROU assets obtained in exchange for lease obligations	500,903	272,527
Weighted-average remaining lease term	5.31 years	6.19 years
Weighted-average discount rate	2.13 %	1.78 %

Future minimum lease payments under non-cancelable operating leases are as follows:

Year ending December 31,

2025	\$ 437,493
2026	450,241
2027	425,744
2028	438,830
2029	398,305
Thereafter	<u>225,210</u>
	2,375,823
Less: imputed interest	<u>(126,018)</u>
	<u>\$ 2,249,805</u>

Rent expense amounted to \$722,317 and \$678,930 for the years ended December 31, 2024 and 2023, respectively.

14. 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 \$176,486 and \$163,981 for the years ended December 31, 2024 and 2023, 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.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

15. 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, 2024 and 2023 were \$172,650 and \$162,675 respectively.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 30, 2025, 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.