

Special Olympics Northern California, Inc.

Financial Statements
and Supplementary Information

December 31, 2020 and 2019



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Special Olympics Northern California, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Northern California, Inc. as of December 31, 2020 and 2019, 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.



An independent firm
associated with Moore
Global Network Limited

Emphasis of Matter

As discussed in Note 14 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 20 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 21, 2021

Special Olympics Northern California, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,948,655	\$ 3,785,508
Contributions receivable	713,612	188,832
Due from affiliated organization	1,102,521	1,122,259
Prepaid expenses	247,292	140,707
Other current assets	65,146	63,371
Total current assets	6,077,226	5,300,677
Noncurrent assets		
Equipment and leasehold improvements, net	21,842	31,318
Other assets	15,000	15,000
Deposits	50,529	49,912
Total noncurrent assets	87,371	96,230
Total assets	\$ 6,164,597	\$ 5,396,907
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 264,877	\$ 321,910
Equipment loan payable	-	18,660
Note payable - Paycheck Protection Program	628,246	-
Total current liabilities	893,123	340,570
Long-term liabilities		
Note payable - Economic Injury Disaster Loan	150,000	-
Note payable - Paycheck Protection Program, net of current portion	174,554	-
Total long-term liabilities	324,554	-
Total liabilities	1,217,677	340,570
Net assets		
Without donor restrictions	2,457,438	1,815,072
With donor restrictions	2,489,482	3,241,265
Total net assets	4,946,920	5,056,337
Total liabilities and net assets	\$ 6,164,597	\$ 5,396,907

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Special event revenue, net			
Proceeds from fundraising events	\$ 1,085,020	\$ -	\$ 1,085,020
Expenses from fundraising events	<u>(186,222)</u>	<u>-</u>	<u>(186,222)</u>
Total special event revenue, net	898,798	-	898,798
In-kind contributions	5,087,765	-	5,087,765
Public contributions	1,868,152	2,858,949	4,727,101
Grants	1,597,100	-	1,597,100
Contributions from bequests, estates, and trusts	151,172	-	151,172
Contributions from Special Olympics, Inc.	-	664,087	664,087
Other revenue	15,878	-	15,878
Net assets released from restriction	<u>4,274,819</u>	<u>(4,274,819)</u>	<u>-</u>
Total revenues, gains, and other support	<u>13,893,684</u>	<u>(751,783)</u>	<u>13,141,901</u>
Functional expenses			
Program services	<u>10,791,046</u>	<u>-</u>	<u>10,791,046</u>
Support services			
General and administrative	348,534	-	348,534
Fundraising	<u>2,111,738</u>	<u>-</u>	<u>2,111,738</u>
Total support services	<u>2,460,272</u>	<u>-</u>	<u>2,460,272</u>
Total functional expenses	<u>13,251,318</u>	<u>-</u>	<u>13,251,318</u>
Change in net assets	642,366	(751,783)	(109,417)
Net assets, beginning of year	<u>1,815,072</u>	<u>3,241,265</u>	<u>5,056,337</u>
Net assets, end of year	<u>\$ 2,457,438</u>	<u>\$ 2,489,482</u>	<u>\$ 4,946,920</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, 2019

	<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	\$ 1,947,101	\$ -	\$ 1,947,101
Expenses from fundraising events	<u>(350,826)</u>	<u>-</u>	<u>(350,826)</u>
Total special event revenue, net	1,596,275	-	1,596,275
In-kind contributions	17,355,505	-	17,355,505
Public contributions	1,647,394	3,963,569	5,610,963
Grants	2,360,000	-	2,360,000
Contributions from bequests, estates, and trusts	146,940	-	146,940
Contributions from Special Olympics, Inc.	-	637,328	637,328
Other revenue	8,756	-	8,756
Net assets released from restriction	<u>3,929,307</u>	<u>(3,929,307)</u>	<u>-</u>
Total revenues, gains, and other support	<u>27,044,177</u>	<u>671,590</u>	<u>27,715,767</u>
Functional expenses			
Program services	<u>24,368,784</u>	<u>-</u>	<u>24,368,784</u>
Support services			
General and administrative	320,600	-	320,600
Fundraising	<u>2,031,967</u>	<u>-</u>	<u>2,031,967</u>
Total support services	<u>2,352,567</u>	<u>-</u>	<u>2,352,567</u>
Total functional expenses	<u>26,721,351</u>	<u>-</u>	<u>26,721,351</u>
Change in net assets	322,826	671,590	994,416
Net assets, beginning of year	<u>1,492,246</u>	<u>2,569,675</u>	<u>4,061,921</u>
Net assets, end of year	<u>\$ 1,815,072</u>	<u>\$ 3,241,265</u>	<u>\$ 5,056,337</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, 2020

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
Salaries	\$ 2,628,067	\$ 212,645	\$ 943,498	\$ 1,156,143	\$ 3,784,210
Training and competitions	5,430,595	580	-	580	5,431,175
Professional fees and consultants	552,587	44,748	784,000	828,748	1,381,335
Partnership grants	216,440	-	-	-	216,440
Office costs	426,574	38,818	141,614	180,432	607,006
Benefits	277,418	25,472	81,032	106,504	383,922
Travel, meetings, and conferences	93,997	1,186	29,604	30,790	124,787
Payroll taxes	223,758	11,710	71,729	83,439	307,197
Payments to affiliates - Special Olympics, Inc.	796,309	-	-	-	796,309
Other expenses	47,217	2,484	23,508	25,992	73,209
Insurance	84,770	9,412	31,823	41,235	126,005
Depreciation and amortization	11,901	1,322	4,407	5,729	17,630
Interest expense	1,413	157	523	680	2,093
	<u>\$ 10,791,046</u>	<u>\$ 348,534</u>	<u>\$ 2,111,738</u>	<u>\$ 2,460,272</u>	<u>\$ 13,251,318</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, 2019

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
Salaries	\$ 2,322,481	\$ 187,406	\$ 807,908	\$ 995,314	\$ 3,317,795
Training and competitions	18,881,215	586	-	586	18,881,801
Professional fees and consultants	519,317	44,226	749,949	794,175	1,313,492
Partnership grants	443,547	-	-	-	443,547
Office costs	416,929	37,509	144,255	181,764	598,693
Benefits	233,170	20,559	57,378	77,937	311,107
Travel, meetings, and conferences	343,243	6,808	137,885	144,693	487,936
Payroll taxes	205,171	10,622	62,892	73,514	278,685
Payments to affiliates - Special Olympics, Inc.	841,970	-	-	-	841,970
Other expenses	59,944	1,669	33,515	35,184	95,128
Insurance	84,133	9,253	31,644	40,897	125,030
Depreciation and amortization	16,560	1,840	6,134	7,974	24,534
Interest expense	1,104	122	407	529	1,633
	<u>\$ 24,368,784</u>	<u>\$ 320,600</u>	<u>\$ 2,031,967</u>	<u>\$ 2,352,567</u>	<u>\$ 26,721,351</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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (109,417)	\$ 994,416
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	17,630	24,534
Changes in operating assets and liabilities		
Contributions receivable	(524,780)	218,746
Due from affiliated organization	19,738	(97,255)
Prepaid expenses	(106,585)	(3,334)
Other current assets	(1,775)	18,138
Deposits	(617)	-
Accounts payable and accrued expenses	(57,033)	54,893
Net cash provided by (used in) operating activities	(762,839)	1,210,138
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(8,154)	(3,597)
Net cash used in investing activities	(8,154)	(3,597)
Cash flows from financing activities		
Principal payments on equipment loan payable	(18,660)	(23,787)
Proceeds from Economic Injury Disaster Loan	150,000	-
Proceeds from Paycheck Protection Program loan	802,800	-
Net cash provided by (used in) financing activities	934,140	(23,787)
Net increase in cash and cash equivalents	163,147	1,182,754
Cash and cash equivalents, beginning of year	3,785,508	2,602,754
Cash and cash equivalents, end of year	\$ 3,948,655	\$ 3,785,508

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 2,093	\$ 1,633
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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, 2020 and 2019

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, 2020 and 2019

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 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 collectibility of outstanding contributions receivable. Receivables are charged against the allowance for doubtful accounts when management believes that collectibility 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, 2020 and 2019.

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.

Contributed services and materials

The 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 16,000 volunteers 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 4,347 and 15,317 certified coaches in 2020 and 2019, respectively, is reflected as revenue and expense amounting to \$4,738,099 and \$15,922,513 for the years ended December 31, 2020 and 2019, respectively. 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, 2020 and 2019

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, 2020, 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 2017. For California state tax returns, the Organization is generally no longer subject to tax examinations for years prior to 2016.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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.

3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following:

	2020	2019
Computer hardware and software	\$ 206,162	\$ 200,841
Furniture and fixtures	213,289	210,456
Leasehold improvements	38,244	38,244
	457,695	449,541
Accumulated depreciation and amortization	(435,853)	(418,223)
	\$ 21,842	\$ 31,318

Depreciation and amortization expense amounted to \$17,630 and \$24,534 for the years ended December 31, 2020 and 2019, respectively.

4. EQUIPMENT LOAN

In September 2017, the Organization entered into an equipment loan arrangement for the purchase of new computer hardware. The loan amount was \$70,513 and bore interest at a rate of 5.15%. The outstanding balance on the loan was \$18,660 at December 31, 2019, and was repaid upon maturity in September 2020. Accordingly, there was no outstanding balance as of December 31, 2020.

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 2021. The effective interest rate as of December 31, 2020 and 2019 was approximately 5.00% and 6.25%, respectively. There was no outstanding balance under the line of credit as of December 31, 2020 or 2019.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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 is administered by the U.S. Small Business Administration ("SBA"). The loan accrues interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement between the Organization and the lender. Payments of the principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness is 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.

The Organization believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Organization will obtain forgiveness in whole or in part. The outstanding balance on the PPP loan at December 31, 2020 was \$802,800, and is included as a note payable on the accompanying statement of financial position. Funds will be recognized in income upon notification of formal forgiveness from the SBA.

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 \$150,000 at December 31, 2020.

The future maturities of the loans payable are as follows:

Year ending December 31,

2021	\$	628,246
2022		186,092
2023		7,692
2024		7,692
2025		7,692
Thereafter		<u>115,386</u>
	<u>\$</u>	<u>952,800</u>

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Sports program specific	\$ 966,041	\$ 1,762,801
Geographic restrictions	662,195	840,528
Time restrictions	811,246	587,936
Sponsorships	50,000	50,000
	\$ 2,489,482	\$ 3,241,265

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

	2020	2019
Sports program specific	\$ 3,478,550	\$ 2,904,984
Geographic restrictions	208,333	272,387
Time restrictions	587,936	652,936
Sponsorships	-	99,000
	\$ 4,274,819	\$ 3,929,307

8. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	2020	2019
Certified coaches' time	\$ 4,738,099	\$ 15,922,513
Transportation, meals, and sports equipment	121,357	528,693
Training/competition facilities and lodging	200,109	703,045
Medical and officiating services	8,200	171,475
Legal services	20,000	29,779
	\$ 5,087,765	\$ 17,355,505

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

9. ASSESSMENT FEES DUE TO SPECIAL OLYMPICS, INC.

The international parent organization SOI 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 2020, SOI used an interim formula that uses the Organization's 2018 program expenses. For assessment fees payable in 2019, SOI used an interim formula that uses a combination of the Organization's 2017 program expenses and U.S. Census Bureau's personal income measures from 2017. The Organization expensed assessments in the amounts of \$114,268 and \$152,005 in the years ended December 31, 2020 and 2019, 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, 2020 and 2019. Assessment fees based in part on the Organization's 2020 financial performance will not be finalized until the fourth quarter of 2021, and will not be payable until 2022. 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 \$848,000 and \$1,201,300 generated by members of the Board of Directors and employees during the years ended December 31, 2020 and 2019, 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. Under the terms of the agreement, both the Organization and SOI will each receive 50% of the IDMP net revenue.

IDMP activity consisted of the following:

	2020	2019
IDMP gross revenues	\$ 2,308,668	\$ 2,247,039
IDMP cost share	(895,157)	(821,949)
SOI revenue share	(682,041)	(689,955)
	\$ 731,470	\$ 735,135

As of December 31, 2020 and 2019, SOI owed the Organization \$731,470 and \$718,003, respectively, for minimum required revenue payments under the IDMP agreement.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

10. RELATED PARTY TRANSACTIONS (continued)

Under the terms of the annual revenue sharing formulas for multiple state fundraising programs ("MSFR"), SOI owed the Organization \$14,801 and \$72,393, respectively, for required revenue payments under the MSFR. In addition to the MSFR program, SOI owed the Organization \$356,250 and \$331,863 under the terms of various program grants awarded for December 31, 2020 and 2019, respectively.

11. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2020 and 2019, the Organization incurred joint costs of \$895,505 and \$888,947, respectively, for informational materials and activities that included fundraising appeals. Of those joint costs, \$644,861 and \$533,368 were allocated to fundraising and \$250,644 and \$355,579 were allocated to program costs for 2020 and 2019, respectively.

12. 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 were \$80,752 and \$68,193 for the years ended December 31, 2020 and 2019, 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.

13. COMMITMENTS

The Organization leases office space and equipment under long-term agreements continuing through August 2030. The Organization has options to extend certain leases for additional terms.

Aggregate minimum rental commitments under non-cancelable, long-term operating leases are as follows:

<u>Year ending December 31,</u>	<u>Office Space</u>	<u>Equipment and Other</u>	<u>Total</u>
2021	\$ 288,658	\$ 27,338	\$ 315,996
2022	251,234	27,163	278,397
2023	383,216	8,973	392,189
2024	369,770	-	369,770
2025	315,578	-	315,578
Thereafter	<u>1,602,771</u>	<u>-</u>	<u>1,602,771</u>
	<u>\$ 3,211,227</u>	<u>\$ 63,474</u>	<u>\$ 3,274,701</u>

Special Olympics Northern California, Inc.
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13. COMMITMENTS (continued)

Rent expense amounted to \$588,511 and \$569,334 for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019 were \$112,584 and \$276,726, respectively.

14. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations (See Note 6).

The Organization has adjusted certain aspects of its operations to protect its employees, volunteers, and athletes. Potential impacts on the Organization's operations include disruptions or restrictions on athletic events, competitions and training, and fundraising events. The Organization's donor base may also be affected in a variety of ways, potentially limiting the amount of contributions that might be received during this time. Any of the foregoing could harm the Organization's operations and the ways in which health epidemics such as COVID-19 could adversely impact the business cannot be anticipated. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

15. 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.

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15. LIQUIDITY AND FUNDS AVAILABLE (continued)

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:

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 3,948,655	\$ 3,785,508
Contributions receivable	713,612	188,832
Due from affiliated organization	1,102,521	1,122,259
	5,764,788	5,096,599
Donor restricted for specified purposes	(1,628,236)	(2,603,329)
 Financial assets available to meet cash needs for general expenditure within one year	 \$ 4,136,552	 \$ 2,493,270

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 21, 2021, the date the financial statements were available to be issued. Other than as disclosed below, no other subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

On February 10, 2021, the Organization received additional loan proceeds of \$779,635 from a promissory note issued under the PPP (Note 6). The term of the note is five years and the annual interest rate is 1.00%. The Organization may apply for forgiveness under similar conditions as discussed in Note 6.

SUPPLEMENTARY INFORMATION

Special Olympics Northern California, Inc.
Statements of Activities for Special Olympics Nevada
December 31, 2020

	<u>2020</u>	<u>2019</u>
	<u>Total</u>	<u>Total</u>
Revenues, gains, and other support		
Special event revenue, net		
Proceeds from fundraising events	\$ 160,802	\$ 321,313
Expenses from fundraising events	<u>(12,755)</u>	<u>(44,457)</u>
Total special event revenue, net	<u>148,047</u>	<u>276,856</u>
In-kind contributions	580,025	1,922,301
Public contributions	626,074	852,877
Grants	163,822	158,231
Contributions from bequests, estates, and trusts	49,159	-
Other revenue	<u>1,060</u>	<u>1,211</u>
Total revenues, gains, and other support	<u>1,568,187</u>	<u>3,211,476</u>
Operating expenses		
Training and competitions	625,596	2,152,192
Professional fees and consultants	217,594	169,379
Salaries	645,497	603,321
Payments to affiliates - Special Olympics, Inc.	100,477	103,736
Office costs	56,665	44,338
Travel, meetings, and conferences	27,229	104,612
Benefits	59,527	52,758
Payroll taxes	50,797	51,736
Printing, promotion, and visual aids	2,342	2,665
Insurance	15,878	15,510
Partnership grants	32,342	66,392
Depreciation and amortization	1,818	2,284
Interest expense	277	163
Other expenses	<u>10,595</u>	<u>15,144</u>
Total operating expenses	<u>1,846,634</u>	<u>3,384,230</u>
Change in net assets	<u>\$ (278,447)</u>	<u>\$ (172,754)</u>