

Special Olympics Northern California, Inc.

Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

December 31, 2023 and 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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 supplementary information on pages 24 - 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Additionally, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Armanino^{LLP}
San Francisco, California

July 31, 2024

Special Olympics Northern California, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,165,295	\$ 8,350,720
Investments	13,297,485	-
Contributions and grants receivable	469,202	15,256,989
Employee retention tax credit receivable	-	284,324
Due from affiliated organization	696,845	714,177
Prepaid expenses	235,869	264,609
Other current assets	76,414	76,935
Total current assets	21,941,110	24,947,754
Noncurrent assets		
Other assets	15,000	15,000
Deposits	52,790	50,954
Equipment and leasehold improvements, net	138,221	125,763
Operating lease right-of-use-asset	2,297,131	2,467,223
Total noncurrent assets	2,503,142	2,658,940
Total assets	\$ 24,444,252	\$ 27,606,694
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 660,360	\$ 559,918
Operating lease liability, current portion	385,033	387,424
Note payable - Economic Injury Disaster Loan, current portion	7,692	7,692
Total current liabilities	1,053,085	955,034
Long-term liabilities		
Operating lease liability, net of current portion	1,977,358	2,180,034
Note payable - Economic Injury Disaster Loan, net of current portion	137,562	141,205
Total long-term liabilities	2,114,920	2,321,239
Total liabilities	3,168,005	3,276,273
Net assets		
Without donor restrictions	9,025,071	7,126,542
With donor restrictions	12,251,176	17,203,879
Total net assets	21,276,247	24,330,421
Total liabilities and net assets	\$ 24,444,252	\$ 27,606,694

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			
Proceeds from fundraising events	\$ 2,207,746	\$ -	\$ 2,207,746
Expenses from fundraising events	<u>(399,799)</u>	<u>-</u>	<u>(399,799)</u>
Total special event revenue, net	1,807,947	-	1,807,947
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 gain (loss) on investments	31,364	-	31,364
Interest income	637,586	-	637,586
Other revenue	<u>36,708</u>	<u>-</u>	<u>36,708</u>
Total revenues, gains, and other support	21,959,101	3,536,185	25,495,286
Net assets released from restriction	<u>8,488,888</u>	<u>(8,488,888)</u>	<u>-</u>
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 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
Net realized and unrealized gain (loss) on investments	(2,695)	-	(2,695)
Interest income	95,532	-	95,532
Employee retention tax credit	541,563	-	541,563
Other revenue	<u>12,048</u>	<u>-</u>	<u>12,048</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 Functional Expenses
For the Year Ended December 31, 2023

	Program Services	Support Services		Total Support Services	Total
		General and Administrative	Fundraising		
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
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
	<u>\$ 24,617,978</u>	<u>\$ 398,671</u>	<u>\$ 3,532,811</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.
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.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (3,054,174)	\$ 14,939,012
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	51,308	31,769
Amortization of operating lease right-of-use-asset	170,092	364,898
Loss on disposal of equipment and leasehold improvements	-	2,695
Realized and unrealized gain on investments	(31,364)	-
Gain on forgiveness of Paycheck Protection Program loan	-	(779,635)
Changes in operating assets and liabilities		
Contributions and grants receivable	14,787,787	(15,013,355)
Employee retention tax credit receivable	284,324	(284,324)
Due from affiliated organization	17,332	162,069
Prepaid expenses	28,740	(129,551)
Other current assets	521	7,327
Deposits	(1,836)	-
Accounts payable and accrued expenses	100,442	208,947
Operating lease liability	(205,067)	(264,663)
Net cash provided by (used in) operating activities	12,148,105	(754,811)
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(63,766)	(123,760)
Proceeds on sale of investments	19,000	-
Purchase of investments	(13,285,121)	-
Net cash used in investing activities	(13,329,887)	(123,760)
Cash flows from financing activities		
Principal payments on Economic Injury Disaster Loan	(3,643)	(1,103)
Net cash used in financing activities	(3,643)	(1,103)
Net decrease in cash and cash equivalents	(1,185,425)	(879,674)
Cash and cash equivalents, beginning of year	8,350,720	9,230,394
Cash and cash equivalents, end of year	\$ 7,165,295	\$ 8,350,720

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 4,049	\$ 4,148
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Supplemental schedule of noncash investing and financing activities

Right-of-use asset obtained in exchange for lease liability	\$ 272,527	\$ 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, 2023 and 2022

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 conducts 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, 2023 and 2022

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, 2023 and 2022.

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 21,000 volunteers in 2023 and 15,200 volunteers in 2022, 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 11,444 and 5,839 certified coaches in 2023 and 2022, respectively, is reflected as revenue and expense amounting to \$12,168,767 and \$6,162,759 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022

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.

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

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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, 2023 and 2022

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 23701(d). The Organization has evaluated its current tax positions and has concluded that, as of December 31, 2023 and 2022, 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 2020. For California state tax returns, the Organization is generally no longer subject to tax examinations for years prior to 2019.

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.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Topic 326, *Financial Instruments - Credit Losses*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

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.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

3. LIQUIDITY AND FUNDS AVAILABLE (continued)

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:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 7,165,295	\$ 8,350,720
Investments	13,297,485	-
Contributions and grants receivable	469,202	15,256,989
Employee retention tax credit receivable	-	284,324
Due from affiliated organization	<u>696,845</u>	<u>714,177</u>
	<u>21,628,827</u>	<u>24,606,210</u>
Less: amounts unavailable for general expenditure within one year		
Funds restricted due to purpose or time	(12,251,176)	(17,203,879)
Board-designated general reserve	(500,000)	(500,000)
Add: time restrictions expected to be met within one year	<u>862,665</u>	<u>910,983</u>
	<u>(11,888,511)</u>	<u>(16,792,896)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 9,740,316</u>	<u>\$ 7,813,314</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

	2023	2022
U.S. Treasury securities	<u>\$ 13,297,485</u>	<u>\$ -</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	<u>\$13,297,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,297,485</u>
	<u>\$13,297,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,297,485</u>

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following:

	2023	2022
Computer hardware and software	\$ 345,504	\$ 284,904
Furniture and fixtures	286,377	283,211
Leasehold improvements	38,244	38,244
	670,125	606,359
Accumulated depreciation and amortization	(531,904)	(480,596)
	\$ 138,221	\$ 125,763

Depreciation and amortization expense amounted to \$51,308 and \$31,769 for the years ended December 31, 2023 and 2022, respectively.

6. LINE OF CREDIT

The Organization maintained a line of credit agreement with a financial institution to facilitate operating cash flow needs. The line of credit, which bore interest at a rate equivalent to the greater of 1.50% above the indexed rate or 5.00%, provided for a maximum borrowing limit of \$750,000. In March 2023, the Organization repaid all amounts outstanding and terminated this line of credit agreement.

In May 2023, the Organization entered into a new line of credit agreement 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 2024, but is in the process of being renewed. The effective interest rate as of December 31, 2023 was approximately 9.75%. There was no outstanding balance under the line of credit as of December 31, 2023 or 2022.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

7. NOTES PAYABLE

Paycheck Protection Program

In February 2021, the Organization received loan proceeds of \$779,635 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. 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 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 \$145,254 and \$148,897 at December 31, 2023 and 2022, respectively.

The future maturities of the note payable are as follows:

Year ending December 31,

2024	\$	7,692
2025		7,692
2026		7,692
2027		7,692
2028		7,692
Thereafter		106,794
		\$ 145,254

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Geographic restrictions	\$ 10,993,954	\$ 15,961,927
Time restrictions	824,665	858,783
Program-specific restrictions	394,557	330,969
Sponsorships	<u>38,000</u>	<u>52,200</u>
	<u>\$ 12,251,176</u>	<u>\$ 17,203,879</u>

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

	<u>2023</u>	<u>2022</u>
Geographic restrictions	\$ 5,486,000	\$ 280,899
Sports programs	2,091,905	5,190,557
Time restrictions	858,783	1,019,116
Sponsorships	<u>52,200</u>	<u>50,000</u>
	<u>\$ 8,488,888</u>	<u>\$ 6,540,572</u>

9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are as follows:

	<u>2023</u>	<u>2022</u>
Certified coaches' time	\$ 12,168,767	\$ 6,162,759
Medical and officiating services	1,054,000	437,150
Advertising	660,689	-
Training/competition facilities and lodging	247,375	175,797
Transportation, meals, and sports equipment	<u>105,630</u>	<u>89,294</u>
	<u>\$ 14,236,461</u>	<u>\$ 6,865,000</u>

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 advertising, 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, 2023 and 2022.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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 2023 and 2022, SOI used a formula that uses the Organization's 2021 and 2020 program expenses respectively. The Organization expensed assessments in the amounts of \$147,350 and \$158,441 in the years ended December 31, 2023 and 2022, 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, 2023 and 2022. Assessment fees based on the Organization's 2023 financial performance will not be finalized until the 4th quarter of 2024 and will not be charged or payable until 2025. These future assessment fees are estimated to be between \$150,000 and \$200,000 annually.

11. RELATED PARTY TRANSACTIONS

The Organization had contribution revenue of approximately \$932,000 and \$1,328,000 generated by members of the Board of Directors and employees during the years ended December 31, 2023 and 2022, 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:

	2023	2022
IDMP gross revenues	\$ 2,409,300	\$ 2,465,852
IDMP cost share	(1,102,101)	(1,106,608)
SOI revenue share	(627,455)	(657,088)
	\$ 679,744	\$ 702,156

As of December 31, 2023 and 2022, SOI owed the Organization \$656,842 and \$702,156, respectively, for minimum required revenue payments under the IDMP agreement.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

11. RELATED PARTY TRANSACTIONS (continued)

Under the terms of the annual revenue sharing formulas for multiple state fundraising programs ("MSFR"), SOI owed the Organization \$17,062 and \$9,959, for required revenue payments under the MSFR at December 31, 2023 and 2022, 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, 2023.

12. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2023 and 2022, the Organization incurred joint costs of \$1,102,101 and \$1,106,608, respectively, for informational materials and activities that included fundraising appeals. Of those joint costs, \$925,765 and \$929,551 were allocated to fundraising and \$176,336 and \$177,057 were allocated to program costs for 2023 and 2022, 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, 2023, the operating lease ROU asset and operating liability amounted to \$2,297,131 and \$2,362,391, respectively. At December 31, 2022, the operating lease ROU asset and operating liability amounted to \$2,467,223 and \$2,567,458, respectively.

Additional information related to leases is as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 406,459	\$ 407,092
Operating cash flows from operating leases	439,642	306,591
ROU assets obtained in exchange for lease obligations	272,527	2,832,121
Weighted-average remaining lease term	6.19 years	7.18 years
Weighted-average discount rate	1.78 %	1.56 %

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

13. LEASES (continued)

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

<u>Year ending December 31,</u>		
2024	\$	422,964
2025		389,098
2026		400,367
2027		371,486
2028		351,912
Thereafter		<u>556,549</u>
		2,492,376
Less: imputed interest		<u>(129,985)</u>
		<u><u>\$ 2,362,391</u></u>

Rent expense amounted to \$678,930 and \$468,911 for the years ended December 31, 2023 and 2022, 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 \$163,981 and \$134,098 for the years ended December 31, 2023 and 2022, 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.

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, 2023 and 2022 were \$162,675 and \$171,667 respectively.

Special Olympics Northern California, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

16. 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 during 2023.

17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 31, 2024, 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.

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. is to transfer to Special Olympics Nevada, Inc. specified assets and Special Olympics Nevada, Inc. is to assume certain specified liabilities and obligations.

SUPPLEMENTARY INFORMATION

Special Olympics Northern California, Inc.
 Statements of Activities for Special Olympics Nevada
 December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues, gains, and other support		
Special event revenue, net		
Proceeds from fundraising events	\$ 227,663	\$ 186,911
Expenses from fundraising events	<u>(41,333)</u>	<u>(33,664)</u>
Total special event revenue, net	<u>186,330</u>	<u>153,247</u>
Contributions of nonfinancial assets	614,190	666,217
Public contributions	837,637	1,151,678
Grants	675,480	212,643
Contributions from bequests, estates, and trusts	-	5,000
Other revenue	<u>1,926</u>	<u>72,028</u>
Total revenues, gains, and other support	<u>2,315,563</u>	<u>2,260,813</u>
Functional expenses		
Program services	<u>1,881,395</u>	<u>1,694,862</u>
Support services		
General and administrative	50,767	46,713
Fundraising	<u>533,668</u>	<u>465,846</u>
Total support services	<u>584,435</u>	<u>512,559</u>
Total functional expenses	<u>2,465,830</u>	<u>2,207,421</u>
Change in net assets	<u>\$ (150,267)</u>	<u>\$ 53,392</u>

Special Olympics Northern California, Inc.
Statement of Functional Expenses for Special Olympics Nevada
For The Years Ended December 31, 2023 and 2022

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries	\$ 493,327	\$ 28,106	\$ 245,460	\$ 766,893	\$ 687,696
Training and competitions	759,423	-	-	759,423	800,825
Professional and consultants	234,079	11,199	191,904	437,182	278,069
Partnership grants	43,994	-	-	43,994	71,233
Office costs	69,933	6,414	21,424	97,771	71,864
Benefits	62,468	1,134	19,883	83,485	60,319
Travel, meetings and conferences	37,520	601	21,683	59,804	46,553
Payroll taxes	49,491	1,011	21,335	71,837	56,863
Payments to affiliates- Special Olympics, Inc.	100,332	-	-	100,332	99,268
Other expenses	12,932	313	5,351	18,596	14,116
Insurance	14,233	1,581	5,272	21,086	16,957
Depreciation and amortization	3,280	365	1,215	4,860	3,077
Interest expense	383	43	141	567	581
 Total expenses	 <u>\$ 1,881,395</u>	 <u>\$ 50,767</u>	 <u>\$ 533,668</u>	 <u>\$ 2,465,830</u>	 <u>\$ 2,207,421</u>

SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated July 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Francisco, California

July 31, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Special Olympics Northern California, Inc. (a California nonprofit corporation) (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

July 31, 2024

Special Olympics Northern California, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Health and Human Services			
Disabilities Prevention			
Pass-through program from:			
		5	
		NU27DD00002	
Special Olympics, Inc	93.184	1-02-00	\$ <u>180,733</u>
Total U.S. Department of Health and Human Services			<u>180,733</u>
U.S. Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds (CRG-ARPA)			
Pass-through program from:			
State of Nevada Department of Health and Human Services Division of Child & Family Services	21.027	21027-22-002	<u>310,646</u>
Total U.S. Department of Treasury			<u>310,646</u>
U.S. Department of Education			
Special Education - Special Olympics Education Programs			
Pass-through program from:			
Special Olympics, Inc	84.380W	Y15 22 800 34	238,242
Special Olympics, Inc	84.380W	Y16 23 800 34	259,257
Special Olympics, Inc	84.380W	Y15 22 800 27	47,241
Special Olympics, Inc	84.380W	Y16 23 800 27	<u>52,758</u>
Total Special Education - Special Olympics Education Programs			<u>597,498</u>
Total U.S. Department of Education			<u>597,498</u>
Total Expenditures of Federal Awards			<u>\$ <u>1,088,877</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Special Olympics Northern California, Inc.
Notes to Schedule of Expenditures of Federal Awards
December 31, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Special Olympics Northern California, Inc. (a California nonprofit corporation) (the "Organization") under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization utilizes the 10% de minimis indirect cost rate for certain contracts. The Organization applies indirect costs in accordance with the specific terms of its federal award agreement. For certain federal contracts, the Organization did not calculate or charge any administrative costs.

Special Olympics Northern California, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education - Special Olympics Education Programs	84.380W
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Special Olympics Northern California, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Special Olympics Northern California, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

There were no prior year findings.