Special Olympics Nebraska, Inc.
Omaha, Nebraska

Financial Statements
December 31, 2018,
with Comparative Totals for 2017

Together with Independent Auditor's Report

Special Olympics Nebraska, Inc.

Table of Contents

Independent Auditor's Report

To the Board of Directors of
Special Olympics Nebraska, Inc.
Omaha, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of Special Olympics Nebraska, Inc. which comprise the statement of financial position as of December 31, 2018, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Nebraska, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Special Olympics Nebraska, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2018, Special Olympics Nebraska, Inc. adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Omaha, Nebraska,
<REPORT DATE>.

Special Olympics Nebraska, Inc.

Statement of Financial Position
December 31, 2018, with Comparative Totals for 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 774,634	216,454
Investments	543,135	577,661
Accounts receivable	3,256	3,877
Grants receivable	70,000	--
Prepaid expenses	13,865	16,596
Total current assets	1,404,890	814,588
Beneficial interest in charitable trust	50,578	50,578
Cash restricted for term endowment	45,579	52,508
Investments restricted for term endowment	2,332,215	2,435,202
Property and equipment, net	32,671	39,725
Total assets	$ 3,865,933	3,392,601
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of notes payable	$ 8,623	13,721
Accounts payable	33,268	22,603
Accrued payroll and compensated absences	26,946	2,658
Deferred revenue	56,582	66,446
Total current liabilities	125,419	105,428
Notes payable, net of current portion	--	14,268
Total liabilities	125,419	119,696
Net assets:		
Without donor restrictions	1,242,142	734,617
With donor restrictions	2,498,372	2,538,288
Total net assets	3,740,514	3,272,905
Total liabilities and net assets	$ 3,865,933	3,392,601

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Activities
For the Year Ended December 31, 2018, with Comparative Totals for 2017

		Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
REVENUE, GAINS AND OTHER SUPPORT:					
Contributions	$	640,303	--	640,303	647,742
Special events		662,461	--	662,461	545,314
Direct-marketing contributions		208,120	--	208,120	234,366
Grants		1,238,532	70,000	1,308,532	458,252
Donated goods and services		85,488	--	85,488	86,952
Special Olympics International distribution		9,408	--	9,408	31,938
Investment income (loss), net		(31,242)	(22,846)	(54,088)	387,488
Net assets released from restrictions		87,070	(87,070)	--	--
Total revenue, gains and other support		2,900,140	(39,916)	2,860,224	2,392,052
EXPENSES:					
Program services		1,623,087	--	1,623,087	1,555,081
Management and general		224,101	--	224,101	202,936
Fundraising		545,427	--	545,427	503,144
Total expenses		2,392,615	--	2,392,615	2,261,161
CHANGE IN NET ASSETS		507,525	(39,916)	467,609	130,891
NET ASSETS, beginning of year, as reclassified (see Note 14)		734,617	2,538,288	3,272,905	3,142,014
NET ASSETS, end of year	$	1,242,142	2,498,372	3,740,514	3,272,905

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2018, with Comparative Totals for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 467,609	130,891
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	15,498	14,511
Change in unrealized gains and losses on investments, net	174,137	(285,314)
(Increase) decrease in current assets -		
Accounts receivable	621	16,532
Grants receivable	(70,000)	--
Prepaid expenses	2,731	(4,605)
Increase (decrease) in current liabilities -		
Accounts payable	10,665	331
Accrued payroll and compensated absences	24,288	(1,957)
Deferred revenue	(9,864)	19,879
Net cash provided by (used in) operating activities	615,685	(109,732)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,444)	--
Change in cash restricted for investment in term endowment	6,929	(2,813)
Proceeds from the sale of investments	648,575	1,321,412
Purchases of investments	(685,199)	(1,073,122)
Net cash provided by (used in) investing activities	(38,139)	245,477
CASH FLOWS FROM FINANCING ACTIVITIES,		
Principal payments on notes payable	(19,366)	(13,196)
NET INCREASE IN CASH AND CASH EQUIVALENTS	558,180	122,549
CASH AND CASH EQUIVALENTS, beginning of year	216,454	93,905
CASH AND CASH EQUIVALENTS, end of year	$ 774,634	216,454

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2018, with Comparative Totals for 2017

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
SALARIES AND BENEFITS:					
Salaries	$ 491,709	136,220	208,435	836,364	818,386
Employee benefits	52,178	21,257	27,646	101,081	100,326
Payroll taxes	30,830	9,663	14,778	55,271	54,738
Total salaries and benefits	574,717	167,140	250,859	992,716	973,450
OTHER EXPENSES:					
Event expenses	645,822	1,611	68,631	716,064	642,750
Operating expenses	76,063	4,371	68,838	149,272	122,750
Advertising	51,362	680	37,558	89,600	76,935
Occupancy	55,938	11,506	18,620	86,064	86,218
Travel, conferences and lodging	24,631	2,265	51,001	77,897	70,797
Direct school support	76,988	--	--	76,988	89,738
Legal and professional fees	30,575	26,675	5,529	62,779	61,499
Insurance	19,599	3,779	5,971	29,349	21,396
National fees	28,513	--	--	28,513	26,226
Public education and awareness	28,247	--	--	28,247	32,560
Telemarketing	--	--	28,247	28,247	32,560
Depreciation	10,022	2,078	3,398	15,498	14,511
Business expenses	610	3,996	6,775	11,381	9,771
Total expenses	$ 1,623,087	224,101	545,427	2,392,615	2,261,161

See notes to financial statements

(1) Description of Organization and Summary of Significant Accounting Policies

The following is a description of the organization and a summary of the significant accounting policies of Special Olympics Nebraska, Inc. (SONE). These policies are in accordance with accounting principles generally accepted in the United States of America (GAAP).

A. Organization

SONE is a not-for-profit organization that was organized to provide sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities throughout the state of Nebraska. SONE is supported primarily by contributions and special events.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not for Profit Entities*. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor imposed restrictions. SONE maintains the following classes of net assets:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SONE.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

C. Use of Estimates

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

D. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statements of cash flows includes investments with an original maturity of three months or less and exclude cash and cash equivalents included in investments and/or restricted for term endowment.

E. Grants Receivable

Grants that are expected to be collected within one year are recorded at net realizable value. Those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grant revenue. The receivables are reviewed for collectability and a provision for uncollectible amounts, if necessary, is recorded based on management's judgment and an analysis of individual donors, past collection experience and other relevant factors. At December 31, 2018 and 2017, no allowance for uncollectible grants was deemed necessary.

F. *Beneficial Interest in Charitable Trust*

SONE is the irrevocable partial beneficiary of a non-perpetual charitable remainder unitrust held by a third-party trustee. The trust was created independently of SONE and is neither in the possession nor under the control of SONE. The trust is administered by a third-party trustee as designated by the donor. SONE records its partial interest in the trust at fair value as measured by the present value of the estimated future distributions to be received by SONE over the term of the agreement, discounted at the rate commensurate with the risks involved.

The beneficial interests in charitable trusts are recognized as revenue when SONE is notified that it has been named as an irrevocable beneficiary and has sufficient information to make a reasonable estimate of the fair value of its interest. The value of the beneficial interest in charitable trust is adjusted annually for the change in fair value. The changes in value are reported as changes in net assets with donor restrictions. Upon the termination date specified by the trust, the partial interest in trust assets will be distributed to SONE by the trustee under the provisions of the trust agreement and the net assets will be reclassified from with donor restrictions to without donor restrictions.

G. *Investments*

All investments are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) are included in revenue, gains and other support without donor restrictions in the statement of activities unless the income is restricted by donor or by law.

H. *Property and Equipment, Net*

Property and equipment acquisitions are recorded at cost or, if donated, at fair value on the date donated. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Leasehold improvements	5 – 15 year
Furniture	5 – 7 years
Office equipment	5 – 7 years
Vehicles	5 – 7 years

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized. SONE maintains a capitalization policy of $2,500.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the long-lived assets are placed in service.

I. *Deferred Revenue*

Deferred revenue consists primarily of revenue received from grant receipts to fund future program activities.

J. Donor Restricted Contributions

Unconditional promises to give cash and other assets to SONE are reported at fair value at the date the promise is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are substantially met.

SONE expects to receive intentions to give of approximately $423,000 and $509,000 as of December 31, 2018 and 2017, respectively. The intentions to give have not been recognized as assets or contribution revenue in the accompanying financial statements.

SONE also received a conditional grant that is contingent upon securing matching cash contributions from private donors of $50,000 in increments of $10,000 or greater for the calendar years ending December 31, 2019 and 2020. The conditional promise to give has not been recognized as assets or revenue in the accompanying financial statements.

K. In-Kind Contributions

SONE receives services, equipment and facilities donated by volunteers and organizations interested in SONE's programs. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When the value of donated services is ascertainable, they are reflected at fair value in the statements of activities as revenue and expenses. Donated services, equipment and materials totaling $85,488 and $86,952 are included in income and offset with corresponding expenses for the years ended December 31, 2018 and 2017, respectively.

SONE also received donated volunteer services to benefit existing programs and activities. These contributions were not recognized as revenue in the statements of activities since they did not meet the recognition requirements in FASB ASC Topic 958.

L. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. SONE allocates salaries and related benefits based on an estimate of employee time spent. SONE allocates occupancy expenses on a weighted average of employee time spent and square footage, and other expenses are allocated by time and effort or are directly assigned to a functional classification.

M. Income Taxes

SONE is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain SONE's tax exempt status.

SONE accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in FASB ASC Topic 740, *Income Taxes*. SONE recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At December 31, 2018 and 2017, SONE had no uncertain tax positions accrued.

N. *Comparative Amounts*

The amounts shown for 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018, and are not intended to present all information necessary for a fair presentation of the 2017 financial statements in conformity with GAAP.

O. *Recent Accounting Pronouncement*

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230*). The update addresses diversity in practice as to how restricted cash is presented on the statement of cash flows. The update indicates that amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update will be effective for fiscal years beginning after December 15, 2018, with early application permitted. SONE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update serves to clarify the scope and accounting guidance for contributions received in consideration of the implications related to ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2018-08 serve to improve guidance on determining whether a transfer of assets is a contribution or an exchange transaction and if a contribution is conditional that would prevent recognition. As a result of this update, it is expected that more grants will be accounted for as either contributions or conditional contributions instead of exchange transactions. For transactions in which SONE is the recipient, the update will be effective for fiscal years beginning after December 15, 2018. Effectively, this will be applicable for SONE for fiscal years ending on or after December 31, 2019. SONE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. SONE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

P. *Change in Accounting Principle*

Effective January 1, 2018, SONE adopted the provisions of FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. This ASU made several changes to accounting and financial reporting standards for not-for-profit entities related to net assets, and disclosure requirements.

See Note 14 for additional information regarding the impact of these changes in SONE’s financial statements.

Q. *Reclassification*

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting format.

R. *Subsequent Events*

SONE considered events occurring through <REPORT DATE>for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2018	2017
Financial assets:		
Cash and cash equivalents	$ 774,634	216,454
Investments	543,135	577,661
Accounts receivable	3,256	3,877
Grants receivable	70,000	--
Beneficial interest in charitable trust	50,578	50,578
Cash restricted for term endowment	45,579	52,508
Investments restricted for term endowment	2,332,215	2,435,202
Total financial assets	3,819,397	3,336,280
Less financial assets not available for general expenditure within one year:		
Net assets with donor restrictions	2,498,372	2,538,288
Less net assets with time restrictions to be met in less than one year	(35,000)	--
Total financial assets limited as to use	2,463,372	2,538,288
Financial assets available to meet general expenditures	$ 1,356,025	797,992

SONE's endowment funds are donor-restricted endowments. A committee that includes the donor meets 4-5 times a year to review and approve specific expenditures. Donor-restricted endowment funds are not available for general expenditure.

As part of SONE's liquidity management plan, SONE occasionally invests large cash balances not immediately needed for operations. In 2018, SONE was the recipient of an unusual fundraiser that generated approximately $600,000 of revenue. SONE's plan is to use approximately $100,000 of those funds per year. The decision was made by management to invest $400,000 subsequent to year end in order to generate investment income.

SONE also has a line of credit available to meet short-term needs. See Note 6 for information about this arrangement.

(3) Grants Receivable

Grants receivable are estimated to be collected as follows at December 31, 2018:

		2018	2017
Within one year	$	35,000	--
In one to two years		35,000	--
	$	70,000	--

(4) Fair Value

SONE applies FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that SONE has the ability to access at the measurement date.

Level 2 Inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, through either corroboration or observable market data.

Level 3 Inputs are unobservable for the asset or liability. Therefore, unobservable inputs shall reflect SONE's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Beneficial interest in charitable trust – The valuation of the beneficial interest in charitable trust is classified as level 3 as there are no significant observable inputs, as they trade infrequently or not at all. The trust valuation is based on assumptions about the present value of distributions to be received from the trust, which generally include the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust discounted for present value using market rates.

Cash equivalents– Cash equivalents are recorded at fair value using quoted market prices.

Corporate bonds – The valuation of corporation bonds is classified as Level 2 as they are not traded with regularity in active markets. Fair values are based on quoted market prices, if available, or estimated using pricing models, quoted prices of similar securities with similar characteristics, or discounted cash flows.

Stocks –Traded on a national securities exchange and valued at the latest quoted market prices.

Mutual funds – The fair value of mutual funds are classified as Level 1 as the market values are based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The following table presents the balances of assets measured at fair value on a recurring basis at December 31, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	50,578	50,578
Cash equivalents	$ 142,220	--	--	142,220
Corporate bonds	--	488,690	--	488,690
U.S. Treasury notes	143,531	--	--	143,531
Stocks -				
Common	1,624,710	--	--	1,624,710
Mutual funds -				
Equity	262,300	--	--	262,300
Fixed income	242,420	--	--	242,420
Real estate	17,058	--	--	17,058
	$ 2,432,239	488,690	--	2,920,929

	2017			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	50,578	50,578
Cash equivalents	$ 152,096	--	--	152,096
Corporate bonds	--	578,944	--	578,944
U.S. Treasury notes	70,641	--	--	70,641
Stocks -				
Common	1,706,124	--	--	1,706,124
Mutual funds -				
Equity	306,989	--	--	306,989
Fixed income	231,453	--	--	231,453
Real estate	19,124	--	--	19,124
	$ 2,486,427	578,944	--	3,065,371

The following table presents the activity for assets measured at fair value on a recurring basis using level 3 inputs for the years ended December 31, 2018 and 2017:

	2018	2017
Balance at beginning of year	$ 50,578	50,578
Change in value of beneficial interest in charitable trust	--	--
Balance at end of year	$ 50,578	50,578

(5) Property and Equipment

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

		2018	2017
Leasehold improvements	$	30,141	21,697
Furniture		2,136	2,136
Office equipment		26,104	26,104
Vehicles		58,439	58,439
		116,820	108,376
Less: accumulated depreciation		(84,149)	(68,651)
Property and equipment, net	$	32,671	39,725

Depreciation expense of $15,498 in 2018 and $14,511 in 2017, is included in the statement of activities.

(6) Line of Credit

SONE's financing arrangement consists of a $100,000 revolving bank line of credit with interest at the prime rate plus 1.25% as published in the Wall Street Journal (6.75% at December 31, 2018) subject to a 5.00% floor and payable monthly. This line of credit was collateralized by certain assets held by SONE. There were no amounts outstanding on this line of credit at December 31, 2018 and 2017.

(7) Notes Payable

Notes payable consists of the following at December 31, 2018 and 2017:

		2018	2017
Note payable at an interest rate of 4.73%, with installment payments of principal and interest of $482 due monthly, collateralized by vehicle. Paid in full in 2018.	$	--	11,028
Note payable at an interest rate of 3.39%, with installment payments of principal and interest of $732 due monthly through December 2019, collateralized by vehicle.		8,623	16,961
		8,623	27,989
Less: current portion of notes payable		(8,623)	(13,721)
Long-term portion of notes payable	$	--	14,268

Future maturities of these notes payable are as follows:

2019	$	8,623

(8) Leases

SONE leases office space under a non-cancellable operating lease with an unrelated party expiring on October 31, 2019. The lease provides that the lessee pay common area maintenance plus monthly rent of $3,900 from November 1, 2015 through October 31, 2018, and $4,300 from November 1, 2018 to October 31, 2019. Office rent and common area maintenance expense for the years ended December 31, 2018 and 2017 was $66,600 and $62,600, respectively.

SONE also leases certain equipment, including copy machines, under non-cancellable operating leases with unrelated parties which expire through fiscal year 2023. Rent is payable in monthly installments of $251 for the copy machines. For equipment under lease, rent expense for the years ended December 31, 2018 and 2017 was $4,162 and $4,740, respectively.

Minimum lease payments for these leases in future fiscal years are as follows:

2019	$	46,006
2020		3,006
2021		3,006
2022		3,006
2023		2,004
	$	57,028

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2018 and 2017:

		2018	2017
Subject to the passage of time:			
Beneficial interests in charitable trusts held by others	$	50,578	50,578
Grants receivable, the proceeds of which have been restricted for future operations		70,000	--
		120,578	50,578
Subject to the passage of time and term endowment spending policy and appropriation:			
Term endowment for programs		2,342,425	2,451,482
Term endowment for Lincoln Shark's Special Olympic Team		35,369	36,228
		2,377,794	2,487,710
Total net assets with donor restrictions	$	2,498,372	2,538,288

Management has asserted that the donor-restricted term endowment funds are considered funds with donor restrictions. Per the donor's request, a governing committee was chosen whose responsibility is to administer the funds. Every five years, commencing January 2020, the program shall be reviewed by the committee and on a vote of 100% of the members, the committee may change how the funds are to be used. The agreements set the payout rate at 4% of the initial fund each year, or based upon committee request, more than 4% if the income exceeds the 4% payout rate. In addition, by 100% approval of all committee members, any part or all of the funds may be used if the committee finds a program or a need is so great that the funds should be used to establish that program or need.

(10) Endowments

SONE holds term endowment funds for support of its programs and operations. As required by GAAP, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SONE classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. SONE classifies the original gift of donor-restricted term endowment funds as net assets with donor restrictions. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with the spending policy stipulated by SONE or by the applicable donor gift agreement in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, SONE considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of SONE and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of SONE.
7. The investment policies of SONE.

The composition of endowment net assets by type of fund is as follows at December 31, 2018 and 2017:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted term endowment funds	$ --	2,377,794	2,377,794

	2017		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted term endowment funds	$ --	2,487,710	2,487,710

The changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

		2018	
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ --	2,487,710	2,487,710
Investment return:			
Interest and dividends, net	--	42,533	42,533
Net depreciation (realized and unrealized)	--	(65,379)	(65,379)
Total investment return	--	(22,846)	(22,846)
Contributions	--	--	--
Appropriations of endowment assets for expenditure	--	(87,070)	(87,070)
Endowment net assets, end of year	$ --	2,377,794	2,377,794

		2017	
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ --	2,262,255	2,262,255
Investment return:			
Interest and dividends, net	--	42,091	42,091
Net appreciation (realized and unrealized)	--	260,643	260,643
Total investment return	--	302,734	302,734
Contributions	--	--	--
Appropriations of endowment assets for expenditure	--	(77,279)	(77,279)
Endowment net assets, end of year	$ --	2,487,710	2,487,710

Return Objectives and Risk Parameters

SONE has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy the endowment assets are invested in a manner that preserves the capital while generating a positive total return sufficient to provide income to SONE in a reasonable amount determined annually by the Board. The total returns over long periods of time are primarily achieved through capital appreciation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective of preserving endowment funds, SONE relies on a total return strategy in which investment returns are achieved primarily through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SONE targets a diversified asset allocation that requires a minimum of 30% for fixed income securities and a maximum of 70% for equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

SONE preserves the value of the original gift as of the gift date of donor-restricted term endowments absent explicit donor stipulations stated in the gift agreements. Interest, dividends and net appreciation of the donor-restricted term endowment funds are deemed appropriated for expenditure when approved for distribution by the Board in accordance with the donor gift agreements.

The spending policy on income earned on current term-endowment funds was established by donor agreements. The agreements set the payout rate at 4% of the initial fund each year, or based upon committee request, more than 4% if the income exceeds the 4% payout rate. Earnings in excess of the payout rate are held as net assets with donor restrictions until appropriated.

(11) Employee Benefit Plan

SONE has a defined contribution plan which is available to its employees who are reasonably expected to receive at least $5,000 in compensation for the calendar year. SONE matches contributions made by the employees from a minimum of 1% to a maximum of 3% of participant's base salary. Employees are immediately 100% vested in all matching or discretionary contributions made by SONE. Expense for the program for the years ended December 31, 2018 and 2017 was $18,189 and $19,836, respectively.

(12) Allocation of Joint Costs

SONE conducted activities that included requests for contributions, as well as public education and awareness of program activities, through direct marketing campaigns. The joint costs of these campaigns were allocated and included in the statements of activities as follows:

	2018	2017
Program	$ 28,247	32,560
Fundraising	28,247	32,560
	$ 56,494	65,120

(13) Concentrations, Risks and Uncertainties

SONE maintains bank accounts in which balances sometimes exceed the federally insured limit. Management believes the risk relating to these deposits is minimal.

SONE routinely invests its funds in stocks, corporate bonds and fixed income and equity mutual funds. Investment in these funds is not entirely insured or guaranteed; however, management believes that credit risk related to these investments is minimal.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. 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 amounts reported in the financial statements.

(14) Change in Accounting Principle

Effective January 1, 2018, SONE adopted the provisions of FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 made several changes to accounting and financial reporting for not-for-profit entities, including changes to the presentation of net assets, qualitative and quantitative information of how an entity manages liquidity and availability of financial assets to meet needs for expenditures, reporting of expenses by natural classification and functional classification, as well as expanded footnote disclosures.

The following schedule summarizes the impact these changes have on the beginning of the year net asset balances:

		Unrestricted	Temporarily Restricted	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets, as previously reported, December 31, 2017	$	734,617	2,538,288	--	--	3,272,905
Reclassifications due to adoption of ASU 2016-14		(734,617)	(2,538,288)	734,617	2,538,288	--
Net assets, as reclassified, December 31, 2017	$	--	--	734,617	2,538,288	3,272,905