Special Olympics Nebraska, Inc.
Omaha, Nebraska

Financial Statements
December 31, 2016,
with Comparative Totals for 2015

Together with Independent Auditor's Report

Special Olympics Nebraska, Inc.

Table of Contents

SEIM JOHNSON

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SEIM JOHNSON, LLP.

Omaha, Nebraska,
April 11, 2017.

Special Olympics Nebraska, Inc.

Statements of Financial Position
December 31, 2016, with Comparative Totals for 2015

		2016	2015
ASSETS			
Current assets:			
Cash and cash equivalents	$	93,905	261,559
Investments		763,279	726,315
Accounts receivable		20,409	3,167
Prepaid expenses		11,991	18,802
Total current assets		889,584	1,009,843
Beneficial interest in charitable trust		50,578	50,578
Cash restricted for term endowment		49,695	38,078
Investments restricted for term endowment		2,212,560	2,091,964
Property and equipment, net		54,236	68,747
Total assets	$	3,256,653	3,259,210
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of notes payable	$	13,194	12,662
Accounts payable and accrued expenses		26,887	22,796
Deferred revenue		46,567	50,160
Total current liabilities		86,648	85,618
Notes payable, net of current portion		27,991	41,167
Total liabilities		114,639	126,785
Net assets:			
Unrestricted		829,181	951,805
Temporarily restricted		2,312,833	2,180,620
Total net assets		3,142,014	3,132,425
Total liabilities and net assets	$	3,256,653	3,259,210

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Activities
For the Year Ended December 31, 2016, with Comparative Totals for 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 767,730	--	767,730	807,668
Special events	506,888	--	506,888	534,615
Direct-marketing contributions	249,559	--	249,559	265,496
Grants	459,211	--	459,211	319,703
Donated goods and services	108,203	--	108,203	78,059
Special Olympics International distribution	703	--	703	4,950
Investment income, net	11,745	43,246	54,991	68,511
Realized gains on investments, net	3,480	6,354	9,834	15,536
Change in unrealized gains and losses on investments, net	22,143	151,054	173,197	(124,315)
Net assets released from restrictions	68,441	(68,441)	--	--
Total revenue, gains and other support	2,198,103	132,213	2,330,316	1,970,223
EXPENSES:				
Program services	1,502,296	--	1,502,296	1,295,299
Management and general	206,672	--	206,672	202,485
Fundraising	611,759	--	611,759	530,046
Total expenses	2,320,727	--	2,320,727	2,027,830
CHANGE IN NET ASSETS	(122,624)	132,213	9,589	(57,607)
NET ASSETS, beginning of year	951,805	2,180,620	3,132,425	3,190,032
NET ASSETS, end of year	$ 829,181	2,312,833	3,142,014	3,132,425

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Cash Flows
For the Year Ended December 31, 2016, with Comparative Totals for 2015

		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	9,589	(57,607)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activites:			
Depreciation		14,511	9,530
Change in unrealized gains and losses on investments, net		(173,197)	124,315
Beneficial interest in charitable trust contribution		--	(50,578)
(Increase) decrease in current assets -			
Accounts receivable		(17,242)	(246)
Prepaid expenses		6,811	(8,226)
Increase (decrease) in current liabilities -			
Accounts payable and accrued expenses		4,091	2,385
Deferred revenue		(3,593)	24,608
Net cash provided by (used in) operating activities		(159,030)	44,181
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in cash restricted for investment in term endowment		(11,617)	943
Proceeds from the sale of investments		459,554	713,601
Purchases of investments		(443,917)	(717,040)
Net cash provided by (used in) investing activities		4,020	(2,496)
CASH FLOWS FROM FINANCING ACTIVITIES,			
Principal payments on notes payable		(12,644)	(4,610)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(167,654)	37,075
CASH AND CASH EQUIVALENTS, beginning of year		261,559	224,484
CASH AND CASH EQUIVALENTS, end of year	$	93,905	261,559
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY,			
Property and equipment acquired with note payable	$	--	32,750

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Functional Expenses
For the Year Ended December 31, 2016, with Comparative Totals for 2015

		Program Services	Management and General	Fundraising	2016 Total	2015 Total
SALARIES AND BENEFITS:						
Salaries	$	441,720	123,973	246,521	812,214	757,219
Employee benefits		45,526	16,824	32,019	94,369	76,252
Payroll taxes		32,894	9,110	17,696	59,700	56,809
Total salaries and benefits		520,140	149,907	296,236	966,283	890,280
OTHER EXPENSES:						
Event expenses		574,871	2,268	71,073	648,212	514,135
Advertising		50,835	--	63,444	114,279	57,912
Operating expenses		60,084	1,993	46,527	108,604	149,962
Travel, conferences and lodging		43,502	3,053	56,857	103,412	94,759
Direct school support		89,249	--	--	89,249	32,599
Occupancy		49,790	11,787	20,088	81,665	77,757
Legal and professional fees		25,738	30,260	4,438	60,436	63,794
Public education and awareness		38,110	--	--	38,110	41,960
Telemarketing		--	--	37,199	37,199	40,855
Insurance		14,912	3,120	5,575	23,607	21,828
National fees		22,649	--	--	22,649	20,948
Depreciation		8,943	2,001	3,567	14,511	9,530
Business expenses		3,473	2,283	6,755	12,511	11,511
Total expenses	$	1,502,296	206,672	611,759	2,320,727	2,027,830

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

SONE maintains its accounting records and prepares its financial statements on the accrual basis of accounting in accordance with GAAP. The accompanying financial statements have been prepared in accordance with accounting standards for financial statements of not-for-profit organizations. Under these standards, SONE is required to report information regarding its financial position and activities according to the following three classes of net assets:

I. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. As of December 31, 2016 and 2015, SONE had no board designated net assets.

II. Temporarily restricted net assets are those net assets whose use by SONE has been limited by donors to later periods of time or after specified dates, or to specified purposes.

III. Permanently restricted net assets are those net assets whose use by SONE has donor-imposed restrictions that stipulate resources be maintained permanently, but permits SONE to use up or expend part or all of the income (or economic benefits) derived from the donated assets. As of December 31, 2016 and 2015, SONE had no permanently restricted net assets.

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. 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 temporarily restricted net assets. 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 temporarily restricted to unrestricted.

F. Investments

All short-term and long-term investments are measured at fair value in the statements of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) are included in unrestricted revenue, gains and other support in the statements of activities unless the income is restricted by donor or by law.

G. 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 years
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 restricted support. 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 acquired.

H. Deferred Revenue

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

I. Donor Restricted Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. 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 have been substantially met. The contributions are reported as either temporarily or permanently restricted support 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

SONE expects to receive intentions to give of approximately $242,000 and $366,000 as of December 31, 2016 and 2015, 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 $35,000 in increments of $5,000 or greater for the calendar year ending December 31, 2017. The conditional promise to give has not been recognized as assets or contribution revenue in the accompanying financial statements.

J. 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 $108,203 and $78,059 are included in income and offset with corresponding expenses for the years ended December 31, 2016 and 2015, 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958.

K. 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

L. Financial Instruments

The carrying amounts of all financial instruments approximate estimated fair value. Cash and cash equivalents and liabilities are reasonable estimates of their fair values due to their short term nature. Investments and the beneficial interest in charitable trust are stated at fair value as described in Note 2.

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, 2016 and 2015, SONE had no uncertain tax positions accrued.

N. Comparative Amounts

The amounts shown for 2015 in the accompanying financial statements are included to provide a basis for comparison with 2016, and are not intended to present all information necessary for a fair presentation of the 2015 financial statements in conformity with GAAP.

O. Recent Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources – and the changes in those resources – to donors, grantors, creditors, and other financial statement users. This ASU will be effective for SONE for fiscal years beginning after December 15, 2017. SONE is currently evaluating the effect that the standard will have on the financial statements.

P. Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 reporting format.

Q. Subsequent Events

SONE considered events occurring through April 11, 2017 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) 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, 2016 and 2015, 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:

<u>*Beneficial interest in charitable trust*</u> – 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 – 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 – Traded on a national securities exchange and valued at the net asset value of the underlying investments.

The following table presents the balances of assets measured at fair value on a recurring basis at December 31, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	50,578	50,578
Cash equivalents	$ 100,089	--	--	100,089
Corporate bonds	--	578,149	--	578,149
Stocks -				
Common	1,534,564	--	--	1,534,564
Preferred	52,860	--	--	52,860
Mutual funds -				
Equity	375,310	--	--	375,310
Fixed income	353,783	--	--	353,783
Real estate	30,779	--	--	30,779
	$ 2,447,385	578,149	--	3,025,534

	2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	50,578	50,578
Cash equivalents	$ 70,006	--	--	70,006
Corporate bonds	--	577,531	--	577,531
Stocks -				
Common	1,440,406	--	--	1,440,406
Preferred	56,160	--	--	56,160
Mutual funds -				
Equity	297,791	--	--	297,791
Fixed income	384,312	--	--	384,312
Real estate	30,151	--	--	30,151
	$ 2,278,826	577,531	--	2,856,357

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, 2016 and 2015:

		2016	2015
Balance at beginning of year	$	50,578	--
Contribution of beneficial interest in charitable trust		--	50,578
Balance at end of year	$	50,578	50,578

(3) Investment Returns

Investment returns consist of the following for the years ended December 31, 2016 and 2015:

		2016	2015
Interest	$	13,947	14,094
Dividends		65,267	76,100
Investment fees		(24,223)	(21,683)
Investment income, net		54,991	68,511
Realized gains on investments, net		9,834	15,536
Change in unrealized gains and losses on investments, net		173,197	(124,315)
Total investment gain (loss), net	$	238,022	(40,268)

(4) Property and Equipment

A summary of property and equipment at December 31, 2016 and 2015 is as follows:

		2016	2015
Leasehold improvements	$	21,697	21,697
Furniture		2,136	2,136
Office equipment		26,104	26,104
Vehicles		58,439	58,439
		108,376	108,376
Less: accumulated depreciation		(54,140)	(39,629)
Property and equipment, net	$	54,236	68,747

Depreciation expense of $14,511 and $9,530 in 2016 and 2015, respectively, is included in the statements of activities.

(5) 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% as published in the Wall Street Journal (4.75% at December 31, 2016) subject to a 4.25% floor and payable monthly. This line of credit was collateralized by certain assets held by SONE. The line of credit matured October 2016 and was not renewed. There were no amounts outstanding on this line of credit at December 31, 2016 and 2015.

(6) Notes Payable

Notes payable consists of the following at December 31, 2016 and 2015:

		2016	2015
Note payable at an interest rate of 4.73%, with installment payments of principal and interest of $482 due monthly through December 2019, collateralized by vehicle.	$	16,164	21,062
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.		25,021	32,767
		41,185	53,829
Less: current portion of notes payable		(13,194)	(12,662)
Long-term portion of notes payable	$	27,991	41,167

Future maturities of these notes payable are as follows:

2017	$	13,194
2018		13,721
2019		14,270
	$	41,185

(7) 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 $3,540 from November 1, 2013 through October 31, 2015, $3,900 from November 1, 2015 through October 31, 2017, and $4,300 from November 1, 2017 to October 31, 2019. Office rent and common area maintenance expense for the years ended December 31, 2016 and 2015 was $61,800 and $58,200, respectively.

SONE also leases certain equipment, including copy machines, under non-cancellable operating leases with unrelated parties which expire through fiscal year 2018. Rent is payable in monthly installments of $395 for the copy machines. For equipment under lease, rent expense for the years ended December 31, 2016 and 2015 was $4,740.

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

2017	$	52,340
2018		54,760
2019		43,000
	$	150,100

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

		2016	2015
Term endowment for programs	$	2,225,118	2,091,964
Term endowment for Lincoln Shark's Special Olympic Team		37,137	38,078
Beneficial interest in charitable trust		50,578	50,578
	$	2,312,833	2,180,620

Management has asserted that the donor-restricted term endowment funds are considered temporarily restricted funds. 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.

(9) 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 temporarily restricted net assets. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as temporarily restricted net assets 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, 2016 and 2015:

		2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted term endowment funds	$ --	2,262,255	--	2,262,255

		2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted term endowment funds	$ --	2,130,042	--	2,130,042

The changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

		2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ --	2,130,042	--	2,130,042
Investment return:				
Interest and dividends, net	--	43,246	--	43,246
Net appreciation (realized and unrealized)	--	157,408	--	157,408
Total investment return	--	200,654	--	200,654
Contributions	--	--	--	--
Appropriations of endowment assets for expenditure	--	(68,441)	--	(68,441)
Endowment net assets, end of year	$ --	2,262,255	--	2,262,255

		2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ --	2,230,030	--	2,230,030
Investment return:				
Interest and dividends, net	--	56,920	--	56,920
Net depreciation (realized and unrealized)	--	(75,908)	--	(75,908)
Total investment return	--	(18,988)	--	(18,988)
Contributions	--	--	--	--
Appropriations of endowment assets for expenditure	--	(81,000)	--	(81,000)
Endowment net assets, end of year	$ --	2,130,042	--	2,130,042

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 temporarily restricted net assets until appropriated.

(10) 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, 2016 and 2015 was $18,087 and $15,237, respectively.

(11) 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:

		2016	2015
Program	$	37,199	40,855
Fundraising		37,199	40,855
	$	74,398	81,710

(12) 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.