

Special Olympics Nebraska, Inc.
Omaha, Nebraska

Financial Statements
December 31, 2015,
with Comparative Totals for 2014

Together with Independent Auditor's Report

Special Olympics Nebraska, Inc.

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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, 2015, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements (collectively, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SEIM JOHNSON, LLP.

Omaha, Nebraska,
April 28, 2016.

Special Olympics Nebraska, Inc.

Statements of Financial Position December 31, 2015, with Comparative Totals for 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 254,100	224,484
Investments	726,315	748,146
Accounts receivable	3,167	2,921
Prepaid expenses	<u>18,802</u>	<u>10,576</u>
Total current assets	1,002,384	986,127
Beneficial interest in charitable trust	50,578	--
Cash restricted for term endowment	38,078	39,021
Investments restricted for term endowment	2,091,964	2,191,009
Property and equipment, net	<u>68,747</u>	<u>45,527</u>
Total assets	<u>\$ 3,251,751</u>	<u>3,261,684</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of notes payable	\$ 12,662	4,626
Accounts payable and accrued expenses	15,337	20,411
Deferred revenue	<u>50,160</u>	<u>25,552</u>
Total current liabilities	78,159	50,589
Notes payable, net of current portion	<u>41,167</u>	<u>21,063</u>
Total liabilities	<u>119,326</u>	<u>71,652</u>
Net assets:		
Unrestricted	951,805	960,002
Temporarily restricted	<u>2,180,620</u>	<u>2,230,030</u>
Total net assets	<u>3,132,425</u>	<u>3,190,032</u>
Total liabilities and net assets	<u>\$ 3,251,751</u>	<u>3,261,684</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Activities

For the Year Ended December 31, 2015, with Comparative Totals for 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	\$ 757,090	50,578	807,668	2,636,125
Special events	534,615	--	534,615	527,404
Direct-marketing contributions	265,496	--	265,496	291,201
Grants	319,703	--	319,703	237,064
Donated goods and services	78,059	--	78,059	127,793
Special Olympics International distribution	4,950	--	4,950	7,524
Investment income, net	11,591	56,920	68,511	34,766
Realized gains on investments, net	1,799	13,737	15,536	--
Change in unrealized gains and losses on investments, net	(34,670)	(89,645)	(124,315)	155,883
Miscellaneous	--	--	--	647
Net assets released from restrictions	81,000	(81,000)	--	--
Total revenue, gains and other support	<u>2,019,633</u>	<u>(49,410)</u>	<u>1,970,223</u>	<u>4,018,407</u>
EXPENSES:				
Program services	1,295,299	--	1,295,299	1,271,388
Management and general	202,485	--	202,485	188,038
Fundraising	530,046	--	530,046	449,507
Total expenses	<u>2,027,830</u>	<u>--</u>	<u>2,027,830</u>	<u>1,908,933</u>
CHANGE IN NET ASSETS	(8,197)	(49,410)	(57,607)	2,109,474
NET ASSETS, beginning of year	<u>960,002</u>	<u>2,230,030</u>	<u>3,190,032</u>	<u>1,080,558</u>
NET ASSETS, end of year	<u>\$ 951,805</u>	<u>2,180,620</u>	<u>3,132,425</u>	<u>3,190,032</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Cash Flows

For the Year Ended December 31, 2015, with Comparative Totals for 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (57,607)	2,109,474
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	9,530	4,809
Change in unrealized gains and losses on investments, net	124,315	(155,883)
Beneficial interest in charitable trust contribution	(50,578)	--
Contributions restricted for term endowments	--	(2,020,000)
(Increase) decrease in current assets -		
Accounts receivable	(246)	2,239
Prepaid expenses	(8,226)	(202)
Increase (decrease) in current liabilities -		
Accounts payable and accrued expenses	(5,074)	2,596
Deferred revenue	24,608	(31,525)
Net cash provided by (used in) operating activities	<u>36,722</u>	<u>(88,492)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	--	(4,763)
Change in cash restricted for investment in term endowment	943	(19,021)
Proceeds from the sale of investments	713,601	2,085
Purchases of investments	<u>(717,040)</u>	<u>(2,785,357)</u>
Net cash used in investing activities	<u>(2,496)</u>	<u>(2,807,056)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(4,610)	--
Proceeds from contributions restricted for term endowments	<u>--</u>	<u>2,020,000</u>
Net cash (used in) provided by financing activities	<u>(4,610)</u>	<u>2,020,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,616	(875,548)
CASH AND CASH EQUIVALENTS, beginning of year	<u>224,484</u>	<u>1,100,032</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 254,100</u>	<u>224,484</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY,		
Property and equipment acquired with note payable	<u>\$ 32,750</u>	<u>25,689</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Functional Expenses For the Year Ended December 31, 2015, with Comparative Totals for 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2015 Total</u>	<u>2014 Total</u>
SALARIES AND BENEFITS:					
Salaries	\$ 435,695	120,020	201,504	757,219	639,315
Employee benefits	33,698	15,906	26,648	76,252	79,214
Payroll taxes	<u>32,760</u>	<u>8,789</u>	<u>15,260</u>	<u>56,809</u>	<u>47,284</u>
Total salaries and benefits	502,153	144,715	243,412	890,280	765,813
OTHER EXPENSES:					
Event expenses	222,580	2,078	52,567	277,225	329,146
Travel, conferences and lodging	256,269	690	71,659	328,618	373,755
Public education and awareness	41,960	--	--	41,960	46,516
Telemarketing	--	--	40,855	40,855	46,073
Legal and professional fees	31,072	28,625	4,097	63,794	55,829
Occupancy	44,167	12,823	18,521	75,511	74,845
Advertising	30,851	225	26,836	57,912	58,634
National fees	20,948	--	--	20,948	20,499
Insurance	12,197	3,421	6,210	21,828	19,864
Printing and publications	11,302	82	8,714	20,098	20,294
Miscellaneous	1,905	3,744	7,003	12,652	11,180
Supplies and office expense	98,045	2,158	39,074	139,277	57,854
Depreciation	5,873	1,314	2,343	9,530	4,809
Postage and shipping	2,075	629	1,701	4,405	6,287
Telephone	2,918	908	1,471	5,297	5,045
Membership dues	<u>10,984</u>	<u>1,073</u>	<u>5,583</u>	<u>17,640</u>	<u>12,490</u>
Total expenses	<u>\$ 1,295,299</u>	<u>202,485</u>	<u>530,046</u>	<u>2,027,830</u>	<u>1,908,933</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2015, with Comparative Totals for 2014

(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. 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, 2015 and 2014, 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, 2015 and 2014, 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.

Special Olympics Nebraska, Inc.

Notes to Financial Statements

December 31, 2015, with Comparative Totals for 2014

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.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2015, with Comparative Totals for 2014

SONE expects to receive intentions to give of approximately \$366,000 and \$243,000 as of December 31, 2015 and 2014, 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 each calendar year ending December 31, 2016 and 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 \$78,059 and \$127,793 are included in income and offset with corresponding expenses for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, SONE had no uncertain tax positions accrued.

N. Comparative Amounts

The amounts shown for 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015, and are not intended to present all information necessary for a fair presentation of the 2014 financial statements in conformity with GAAP.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2015, with Comparative Totals for 2014

O. *Subsequent Events*

SONE considered events occurring through April 28, 2016 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. 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 and equivalents– Cash and 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 – Stocks are traded on a national securities exchange and valued at the latest quoted market prices.

Mutual funds – Mutual funds are traded on a national securities exchange and are valued at the net asset value of the underlying investments. The underlying investments are valued at the latest quoted market prices.

For the years ended December 31, 2015 and 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table presents the balances of assets measured at fair value on a recurring basis at December 31, 2015 and 2014:

Special Olympics Nebraska, Inc.

**Notes to Financial Statements
December 31, 2015, with Comparative Totals for 2014**

	2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	\$ --	--	50,578	50,578
Cash and equivalents	\$ 31,928	--	--	31,928
Corporate bonds	--	577,531	--	577,531
Stocks -				
Common stock	1,370,358	--	--	1,370,358
Foreign stock	70,048	--	--	70,048
Preferred stock	56,160	--	--	56,160
Mutual funds -				
Equity	297,791	--	--	297,791
Fixed income	384,312	--	--	384,312
Real estate	30,151	--	--	30,151
	<u>\$ 2,240,748</u>	<u>577,531</u>	<u>--</u>	<u>2,818,279</u>

	2014			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 382,719	--	--	382,719
Corporate bonds	--	580,071	--	580,071
Stocks -				
Common stock	1,332,455	--	--	1,332,455
Foreign stock	90,922	--	--	90,922
Preferred stock	58,340	--	--	58,340
Mutual funds -				
Equity	172,182	--	--	172,182
Fixed income	298,931	--	--	298,931
Real estate	14,659	--	--	14,659
Commodity	8,876	--	--	8,876
	<u>\$ 2,359,084</u>	<u>580,071</u>	<u>--</u>	<u>2,939,155</u>

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ --	--
Contribution of beneficial interest in charitable trust	<u>50,578</u>	<u>--</u>
Balance at end of year	<u>\$ 50,578</u>	<u>--</u>

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2015, with Comparative Totals for 2014

(3) Investment Returns

Investment returns consist of the following for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest	\$ 14,094	9,193
Dividends	76,100	37,950
Capital gains	--	4,685
Investment fees	<u>(21,683)</u>	<u>(17,062)</u>
Investment income, net	68,511	34,766
Realized gains on investments, net	15,536	--
Change in unrealized gains and losses on investments, net	<u>(124,315)</u>	<u>155,883</u>
Total investment (loss) gain, net	<u>\$ (40,268)</u>	<u>190,649</u>

(4) Property and Equipment

A summary of property and equipment at December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 21,697	21,697
Furniture	2,136	2,136
Office equipment	26,104	26,104
Vehicles	<u>58,439</u>	<u>25,689</u>
	108,376	75,626
Less: accumulated depreciation	<u>(39,629)</u>	<u>(30,099)</u>
Property and equipment, net	<u>\$ 68,747</u>	<u>45,527</u>

Depreciation expense of \$9,530 and \$4,809 in 2015 and 2014, respectively, is included in the statements of activities.

(5) Notes Payable

Notes payable consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
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.	\$ 21,062	25,689
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.	<u>32,767</u>	<u>--</u>
	53,829	25,689
Less: current portion of notes payable	<u>(12,662)</u>	<u>(4,626)</u>
Long-term portion of notes payable	<u>\$ 41,167</u>	<u>21,063</u>

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2015, with Comparative Totals for 2014

Future maturities of these notes payable are as follows:

2016	\$	12,662
2017		13,195
2018		13,721
2019		<u>14,251</u>
	\$	<u><u>53,829</u></u>

(6) 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, 2015 and 2014 was \$58,200 and \$57,480, 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, 2015 and 2014 was \$4,740 and \$7,440, respectively.

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

2016	\$	51,540
2017		52,340
2018		54,760
2019		<u>43,000</u>
	\$	<u><u>201,640</u></u>

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Term endowment for programs	\$ 2,091,964	2,191,009
Term endowment for Lincoln Shark's Special Olympic Team	38,078	39,021
Beneficial interest in charitable trust	<u>50,578</u>	<u>--</u>
	<u><u>\$ 2,180,620</u></u>	<u><u>2,230,030</u></u>

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.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2015, with Comparative Totals for 2014

(8) 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, 2015 and 2014:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted term endowment funds	\$ <u> --</u>	<u>2,130,042</u>	<u> --</u>	<u>2,130,042</u>

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted term endowment funds	\$ <u> --</u>	<u>2,230,030</u>	<u> --</u>	<u>2,230,030</u>

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The changes in endowment net assets for the years ended December 31, 2015 and 2014 are as follows:

	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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ --	20,000	--	20,000
Investment return:				
Interest and dividends, net	--	29,794	--	29,794
Net appreciation (realized and unrealized)	--	161,236	--	161,236
Total investment return	--	191,030	--	191,030
Contributions	--	2,020,000	--	2,020,000
Appropriations of endowment assets for expenditure	--	(1,000)	--	(1,000)
Endowment net assets, end of year	\$ --	2,230,030	--	2,230,030

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.

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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.

(9) 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, 2015 and 2014 was \$15,237 and \$15,874, respectively.

(10) 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:

	<u>2015</u>	<u>2014</u>
Program	\$ 40,855	46,073
Fundraising	<u>40,855</u>	<u>46,073</u>
	<u>\$ 81,710</u>	<u>92,146</u>

(11) 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.