Special Olympics Nebraska, Inc.
Omaha, Nebraska

Financial Statements
December 31, 2019,
with Comparative Totals for 2018

Together with Independent Auditor's Report

Special Olympics Nebraska, Inc.

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Seim Johnson, LLP.

Omaha, Nebraska,
April 24, 2020.

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Special Olympics Nebraska, Inc.

Statement of Financial Position
December 31, 2019, with Comparative Totals for 2018

		2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	$	333,956	774,634
Investments		1,077,040	543,135
Accounts receivable		1,370	3,256
Grants receivable		35,000	70,000
Prepaid expenses		6,483	13,865
Total current assets		1,453,849	1,404,890
Beneficial interest in charitable trust		65,604	50,578
Cash restricted for term endowment		35,498	45,579
Investments restricted for term endowment		2,731,770	2,332,215
Property and equipment, net		16,927	32,671
Total assets	$	4,303,648	3,865,933
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of notes payable	$	--	8,623
Accounts payable		21,721	33,268
Accrued payroll and compensated absences		28,674	26,946
Deferred revenue		42,700	56,582
Total current liabilities		93,095	125,419
Commitments			
Net assets:			
Without donor restrictions		1,342,681	1,242,142
With donor restrictions		2,867,872	2,498,372
Total net assets		4,210,553	3,740,514
Total liabilities and net assets	$	4,303,648	3,865,933

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Activities
For the Year Ended December 31, 2019, with Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 649,018	--	649,018	640,303
Special events	665,729	--	665,729	662,461
Direct-marketing contributions	196,372	--	196,372	208,120
Grants	596,781	--	596,781	1,308,532
Donated goods and services	121,975	--	121,975	85,488
Special Olympics International distribution	7,455	--	7,455	9,408
Change in value of beneficial interest	--	15,026	15,026	--
Investment income (loss), net	134,993	480,683	615,676	(54,088)
Net assets released from restrictions	126,209	(126,209)	--	--
Total revenue, gains and other support	2,498,532	369,500	2,868,032	2,860,224
EXPENSES:				
Program services	1,740,763	--	1,740,763	1,623,087
Management and general	194,085	--	194,085	224,101
Fundraising	463,145	--	463,145	545,427
Total expenses	2,397,993	--	2,397,993	2,392,615
CHANGE IN NET ASSETS	100,539	369,500	470,039	467,609
NET ASSETS, beginning of year	1,242,142	2,498,372	3,740,514	3,272,905
NET ASSETS, end of year	$ 1,342,681	2,867,872	4,210,553	3,740,514

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2019, with Comparative Totals for 2018

		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	470,039	467,609
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:			
Depreciation		15,744	15,498
Change in unrealized gains and losses on investments, net		(554,452)	174,137
Change in value of beneficial interest		(15,026)	--
(Increase) decrease in current assets -			
Accounts receivable		1,886	621
Grants receivable		35,000	(70,000)
Prepaid expenses		7,382	2,731
Increase (decrease) in current liabilities -			
Accounts payable		(11,547)	10,665
Accrued payroll and compensated absences		1,728	24,288
Deferred revenue		(13,882)	(9,864)
Net cash provided by (used in) operating activities		(63,128)	615,685
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment		--	(8,444)
Proceeds from the sale of investments		1,094,630	648,575
Purchases of investments		(1,473,638)	(685,199)
Net cash used in investing activities		(379,008)	(45,068)
CASH FLOWS FROM FINANCING ACTIVITIES, Principal payments on notes payable		(8,623)	(19,366)
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		(450,759)	551,251
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year		820,213	268,962
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$	369,454	820,213

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2019, with Comparative Totals for 2018

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
SALARIES AND BENEFITS:					
Salaries	$ 577,638	120,732	148,016	846,386	836,364
Employee benefits	58,887	12,774	16,310	87,971	101,081
Payroll taxes	39,245	9,102	10,435	58,782	55,271
Total salaries and benefits	675,770	142,608	174,761	993,139	992,716
OTHER EXPENSES:					
Event expenses	651,192	1,105	52,953	705,250	716,064
Operating expenses	90,771	1,126	55,388	147,285	149,272
Advertising	47,895	1,165	73,793	122,853	89,600
Travel, conferences and lodging	47,632	1,600	49,889	99,121	77,897
Occupancy	63,530	10,023	14,541	88,094	86,064
Legal and professional fees	30,646	30,879	4,359	65,884	62,779
Direct school support	45,255	--	--	45,255	76,988
National fees	30,976	--	--	30,976	28,513
Insurance	19,419	2,964	4,391	26,774	29,349
Public education and awareness	23,294	--	--	23,294	28,247
Telemarketing	--	--	23,294	23,294	28,247
Depreciation	11,374	1,773	2,597	15,744	15,498
Business expenses	3,009	842	7,179	11,030	11,381
Total expenses	$ 1,740,763	194,085	463,145	2,397,993	2,392,615

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:

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

<u>Net assets with donor restrictions</u> 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, Cash Equivalents, and Restricted Cash*

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

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, 2019 and 2018, no allowance for uncollectible grants and no discount 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 grant receipts contingent upon the incurrence of allowable qualifying expenses for future program activities and a right of return of funds based upon the grantor's review of certain qualifying criteria.

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain grants are conditioned upon the incurrence of allowable qualifying expenses and are recognized as the qualifying expense is incurred. In 2019 and 2018, SONE was awarded grants in the amount of $318,750 and $259,935, respectively, that is being recognized as qualifying expenses are incurred. For the years ended December 31, 2019 and 2018, revenue of $282,663 and $68,180, respectively, was recognized pursuant to the grant agreements.

In addition, during 2018, SONE received a three-year conditional grant for $150,000 that is contingent upon securing matching cash contributions from private donors of $50,000 in increments of $10,000 in each year. SONE received the second installment payment during the calendar year ending December 31, 2019 and recognized the $50,000 payment as revenue in 2019 as the conditions were met. The final payment to be received on the grant is contingent upon SONE securing matching contributions for the calendar year ending December 31, 2020. The remaining conditional promise to give for calendar year 2020 has not been recognized as assets or revenue in the accompanying financial statements.

Indications of intentions to give are not recognized until the cash or other assets are received. SONE expects to receive intentions to give of approximately $313,000 and $423,000 as of December 31, 2019 and 2018, respectively. The intentions to give have not been recognized as assets or contribution 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 statement of activities as revenue and expenses. Donated services, equipment and materials totaling $121,975 and $85,488 are included in contributions and offset with corresponding expenses for the years ended December 31, 2019 and 2018, respectively.

SONE also received donated volunteer services to benefit existing programs and activities. These contributions were not recognized as revenue in the statement 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 statement of activities. The statement 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.

N. Comparative Amounts

The amounts shown for 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019, and are not intended to present all information necessary for a fair presentation of the 2018 financial statements in conformity with GAAP.

O. Adoption of New Accounting Pronouncements

During 2019, SONE adopted the provisions of FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance replaced industry-specific guidance and established a single five-step model to identify and recognize customer revenue.

SONE also adopted the provisions of FASB ASU 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)*.

SONE also adopted the provisions of FASB ASU 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.

P. Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring an entity to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The main difference between the updated standard and the existing guidance is the recognition of lease assets and lease liabilities for lessees for those leases classified as operating leases. ASU 2016-02 is required to be applied retrospectively and is effective for fiscal years beginning after December 15, 2020, with early application permitted.

Q. Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting format.

R. Subsequent Events

SONE considered events occurring through April 24, 2020 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) Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to amounts shown in the statement of cash flows is as follows:

		2019	2018
Cash and cash equivalents	$	333,956	774,634
Cash restricted for term endowment		35,498	45,579
Total cash, cash equivalents, and restricted cash	$	369,454	820,213

Amounts included in cash restricted for term endowment include cash received with donor-imposed restrictions that limit the use of the cash to long-term purposes.

(3) 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:

		2019	2018
Financial assets:			
Cash and cash equivalents	$	333,956	774,634
Investments		1,077,040	543,135
Accounts receivable		1,370	3,256
Grants receivable		35,000	70,000
Beneficial interest in charitable trust		65,604	50,578
Cash restricted for term endowment		35,498	45,579
Investments restricted for term endowment		2,731,770	2,332,215
Total financial assets		4,280,238	3,819,397
Less financial assets not available for general expenditure within one year:			
Net assets with donor restrictions		2,867,872	2,498,372
Less net assets with time restrictions to be met in less than one year		(35,000)	(35,000)
Total financial assets limited as to use		2,832,872	2,463,372
Financial assets available to meet general expenditures	$	1,447,366	1,356,025

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 that are 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 over the next several years. The decision was made by management to invest $400,000 in 2019 to generate investment income.

SONE also has a line of credit available to meet short-term needs. See Note 7 for information about this arrangement.

(4) Grants Receivable

Grants receivable are estimated to be collected as follows at December 31, 2019 and 2018:

		2019	2018
Within one year	$	35,000	35,000
In one to two years		--	35,000
	$	35,000	70,000

(5) 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, 2019 and 2018, 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.

Fixed income – Fixed income securities are comprised of U.S. Treasury notes and corporate bonds. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable SONE to obtain pricing information on an ongoing basis. The valuation of corporate bonds are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

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, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	65,604	65,604
Cash equivalents	$ 210,376	--	--	210,376
Fixed income -				
Corporate bonds	--	433,219	--	433,219
U.S. Treasury notes	--	151,898	--	151,898
Stocks -				
Domestic common	1,919,756	--	--	1,919,756
Foreign common	104,076	--	--	104,076
Mutual funds -				
Equity	509,704	--	--	509,704
Fixed income	493,450	--	--	493,450
Real estate	21,829	--	--	21,829
Investments	$ 3,259,191	585,117	--	3,844,308

	2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	50,578	50,578
Cash equivalents	$ 142,220	--	--	142,220
Fixed income -				
Corporate bonds	--	488,690	--	488,690
U.S. Treasury notes	--	143,531	--	143,531
Stocks -				
Domestic common	1,528,173	--	--	1,528,173
Foreign common	96,537	--	--	96,537
Mutual funds -				
Equity	262,300	--	--	262,300
Fixed income	242,420	--	--	242,420
Real estate	17,058	--	--	17,058
Investments	$ 2,288,708	632,221	--	2,920,929

There were no purchases, issues or transfers into or out of assets measured at fair value on a recurring basis using level 3 inputs for the years ended December 31, 2019 and 2018. The asset balance changed as a result of a change in value of the beneficial interest in charitable trust.

(6) Property and Equipment

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

		2019	2018
Leasehold improvements	$	30,141	30,141
Furniture		2,136	2,136
Office equipment		26,104	26,104
Vehicles		58,439	58,439
		116,820	116,820
Less: accumulated depreciation		(99,893)	(84,149)
Property and equipment, net	$	16,927	32,671

Depreciation expense of $15,744 in 2019 and $15,498 in 2018, is included in the statement of activities.

(7) 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 (4.75% at December 31, 2019) subject to a 5.00% floor and payable monthly. The line matured in April 2019.

Subsequent to year-end, SONE entered into a $100,000 revolving bank line of credit with interest at the prime rate plus 1.00% as published in the Wall Street Journal subject to a 5.00% floor and payable monthly. This line of credit is collateralized by certain assets held by SONE. The line of credit matures in February 2021.

(8) Notes Payable

Notes payable consists of the following at December 31, 2019 and 2018:

		2019	2018
Note payable at an interest rate of 3.39%, with installment payments of principal and interest of $732 due monthly, collateralized by vehicle. Paid in full in 2019.	$	--	8,623
		--	8,623
Less: current portion of notes payable		--	(8,623)
Long-term portion of notes payable	$	--	--

(9) Leases

SONE leases office space under a non-cancellable operating lease with an unrelated party expiring on October 31, 2024. The lease provides that the lessee pay common area maintenance plus monthly rent of $4,410 from November 1, 2019 through October 31, 2020, $4,520 from November 1, 2020 to October 31, 2021, $4,635 from November 1, 2021 to October 31, 2022, $4,750 from November 1, 2022 to October 31, 2023, and $4,870 from November 1, 2023 to October 31, 2024. Office rent and common area maintenance expense for the years ended December 31, 2019 and 2018 was $67,520 and $66,600, respectively.

SONE also leases a vehicle and certain office equipment under non-cancellable operating leases with unrelated parties which expire through fiscal year 2024. Rent is payable in monthly installments of $954 for these leases. For vehicles and office equipment under lease, rent expense for the years ended December 31, 2019 and 2018 was $5,433 and $4,162, respectively.

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

2020	$	64,587
2021		65,917
2022		65,256
2023		61,563
2024		51,019
	$	308,342

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2019 and 2018:

		2019	2018
Subject to the passage of time:			
Beneficial interests in charitable trusts held by others	$	65,604	50,578
Grants receivable, the proceeds of which have been restricted for future operations		35,000	70,000
		100,604	120,578
Subject to the passage of time and term endowment spending policy and appropriation:			
Term endowment for programs		2,731,770	2,342,425
Term endowment for Lincoln Shark's Special Olympic Team		35,498	35,369
Total endowments		2,767,268	2,377,794
Total net assets with donor restrictions	$	2,867,872	2,498,372

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.

(11) 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, 2019 and 2018:

		2019	
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted term endowment funds	$ --	2,767,268	2,767,268

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

The changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ --	2,377,794	2,377,794
Investment return:			
Interest and dividends, net	--	45,358	45,358
Net appreciation (realized and unrealized)	--	435,325	435,325
Total investment return	--	480,683	480,683
Contributions	--	--	--
Appropriations of endowment assets for expenditure	--	(91,209)	(91,209)
Endowment net assets, end of year	$ --	2,767,268	2,767,268

	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 appreciation (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

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.

(12) 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, 2019 and 2018 was $18,966 and $18,189, respectively.

(13) 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 statement of activities as follows:

		2019	2018
Program	$	23,294	28,247
Fundraising		23,294	28,247
	$	46,588	56,494

(14) 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, U.S. Treasury notes, 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.

(15) Subsequent Events

Subsequent to year end, the Coronavirus disease (COVID-19) has spread globally and in the United States of America, and has been declared a pandemic by the World Health Organization. Various governments and businesses have taken strong measures to limit or contain the spread of COVID-19. Currently, there is no vaccine to prevent COVID-19. This disease, along with measures taken by governments and businesses, has resulted in volatility in financial markets and has negatively impacted various business processes. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to SONE's financial position, including its investment portfolios, is not known.

SONE applied for and was granted an $183,800 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. SONE is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. SONE intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.