Special Olympics Nebraska, Inc.

Omaha, Nebraska

Financial Statements
December 31, 2014,
with Comparative Totals for 2013

Together with Independent Auditor's Report

Special Olympics Nebraska, Inc.

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position December 31, 2014, with Comparative Totals for 2013	2
Statements of Activities For the Year Ended December 31, 2014, with Comparative Totals for 2013	3
Statements of Cash Flows For the Year Ended December 31, 2014, with Comparative Totals for 2013	4
Statements of Functional Expenses For the Year Ended December 31, 2014, with Comparative Totals for 2013	5
Notes to Financial Statements December 31, 2014, with Comparative Totals for 2013	6 – 15

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, 2014, 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, 2014, 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 the Special Olympics Nebraska, Inc. 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Seim Johnson, LLP.

Omaha, Nebraska,
March 27, 2015.

Special Olympics Nebraska, Inc.

Statements of Financial Position
December 31, 2014, with Comparative Totals for 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 224,484	1,100,032
Investments	748,146	--
Accounts receivable	2,921	5,160
Prepaid expenses	10,576	10,374
Total current assets	986,127	1,115,566
Cash restricted for term endowment	39,021	20,000
Investments restricted for term endowment	2,191,009	--
Property and equipment, net	45,527	19,884
Total assets	$ 3,261,684	1,155,450
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of note payable	$ 4,626	--
Accounts payable and accrued expenses	20,411	17,815
Deferred revenue	25,552	57,077
Total current liabilities	50,589	74,892
Note payable, net of current portion	21,063	--
Total liabilities	71,652	74,892
Net assets:		
Unrestricted	960,002	1,060,558
Temporarily restricted	2,230,030	20,000
Total net assets	3,190,032	1,080,558
Total liabilities and net assets	$ 3,261,684	1,155,450

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Activities
For the Year Ended December 31, 2014, with Comparative Totals for 2013

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 616,125	2,020,000	2,636,125	564,225
Special events	527,404	--	527,404	582,398
Direct-marketing contributions	291,201	--	291,201	332,569
Grants	237,064	--	237,064	219,587
Donated goods and services	127,793	--	127,793	57,890
Special Olympics International distribution	7,524	--	7,524	20,303
Investment income, net	4,972	29,794	34,766	1,815
Change in unrealized gains and losses on investments, net	(5,353)	161,236	155,883	--
Miscellaneous	647	--	647	5,552
Net assets released from restrictions	1,000	(1,000)	--	--
Total revenue, gains and other support	1,808,377	2,210,030	4,018,407	1,784,339
EXPENSES:				
Program services	1,271,388	--	1,271,388	1,099,974
Management and general	188,038	--	188,038	212,541
Fundraising	449,507	--	449,507	395,488
Total expenses	1,908,933	--	1,908,933	1,708,003
CHANGE IN NET ASSETS	(100,556)	2,210,030	2,109,474	76,336
NET ASSETS, BEGINNING OF YEAR	1,060,558	20,000	1,080,558	1,004,222
NET ASSETS, END OF YEAR	$ 960,002	2,230,030	3,190,032	1,080,558

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Cash Flows
For the Year Ended December 31, 2014, with Comparative Totals for 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,109,474	76,336
Adjustments to reconcile change in net assets to net cash flows (used in) provided by operating activites:		
Depreciation	4,809	4,530
Change in unrealized gains and losses on investments, net	(155,883)	--
Contributions restricted for term endowments	(2,020,000)	(20,000)
(Increase) decrease in current assets -		
Accounts receivable	2,239	(3,460)
Prepaid expenses	(202)	44,346
Increase (decrease) in current liabilities -		
Accounts payable and accrued expenses	2,596	(11,726)
Deferred revenue	(31,525)	7,176
Net cash (used in) provided by operating activities	(88,492)	97,202
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,763)	(16,932)
Change in cash restricted for investment in term endowment	(19,021)	(20,000)
Proceeds from the sale of investments	2,085	--
Purchases of investments	(2,785,357)	--
Net cash used in investing activities	(2,807,056)	(36,932)
CASH FLOWS FROM FINANCING ACTIVITIES,		
Proceeds from contributions restricted for term endowments	2,020,000	20,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(875,548)	80,270
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,100,032	1,019,762
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 224,484	1,100,032
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY,		
Property and equipment acquired with note payable	$ 25,689	--

See notes to financial statements

Special Olympics Nebraska, Inc.

Statements of Functional Expenses
For the Year Ended December 31, 2014, with Comparative Totals for 2013

	Program Services	Management and General	Fundraising	2014 Total	2013 Total
SALARIES AND BENEFITS:					
Salaries	$ 342,807	109,364	187,144	639,315	589,782
Employee benefits	40,380	16,130	22,704	79,214	68,835
Payroll taxes	25,632	7,635	14,017	47,284	44,148
Total salaries and benefits	408,819	133,129	223,865	765,813	702,765
OTHER EXPENSES:					
Event expenses	266,509	3,436	59,201	329,146	320,318
Travel, conferences and lodging	348,584	2,658	22,513	373,755	225,242
Public education and awareness	46,496	--	20	46,516	70,298
Telemarketing	--	--	46,073	46,073	68,043
Legal and professional fees	24,693	22,744	8,392	55,829	54,813
Occupancy	42,345	14,438	18,062	74,845	60,515
Advertising	33,112	386	25,136	58,634	35,800
National fees	20,499	--	--	20,499	20,058
Insurance	11,293	3,398	5,173	19,864	19,048
Printing and publications	10,754	11	9,529	20,294	25,868
Miscellaneous	2,162	3,146	5,872	11,180	13,652
Supplies and office expense	38,450	1,719	17,685	57,854	65,428
Depreciation	2,799	858	1,152	4,809	4,530
Postage and shipping	2,355	460	3,472	6,287	4,382
Telephone	2,732	972	1,341	5,045	4,777
Membership dues	9,786	683	2,021	12,490	12,466
Total expenses	$ 1,271,388	188,038	449,507	1,908,933	1,708,003

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. 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, 2014 and 2013, 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, 2014 and 2013, 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. 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.

F. Property and Equipment

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.

G. Deferred Revenue

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

H. 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 $243,000 and $159,000 as of December 31, 2014 and 2013, respectively. The intentions to give have not been recognized as assets or contribution revenue in the accompanying financial statements.

I. 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 $127,793 and $57,890 are included in income and offset with corresponding expenses for the years ended December 31, 2014 and 2013, 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.

J. 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.

K. Fair Value of Financial Instruments

SONE applies the provisions included in 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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At December 31, 2014 and 2013, there were no nonfinancial items recognized or disclosed at fair value and there were no financial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

The carrying value of all financial instruments approximates estimated fair value. Cash and cash equivalents, receivables, notes payable, and payables approximate fair value due to their short-term nature. Investments are stated at fair value as discussed at Note 2.

L. 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, 2014 and 2013, SONE had no uncertain tax positions accrued. With few exceptions, SONE is no longer subject to U.S. federal income tax examinations by tax authorities for the years before 2011.

M. Comparative Amounts

The amounts shown for 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014, and are not intended to present all information necessary for a fair presentation of the 2013 financial statements in conformity with GAAP.

N. Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 reporting format.

O. Subsequent Events

SONE considered events occurring through March 27, 2015 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:

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, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following table presents the balances of investment securities measured at fair value on a recurring basis at December 31, 2014 and 2013:

	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
	$ 2,359,084	580,071	--	2,939,155

(3) Investment Returns

Investment returns consist of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Interest	$ 9,193	1,815
Dividends	37,950	--
Capital gains	4,685	--
Investment fees	(17,062)	--
Investment income, net	34,766	1,815
Change in unrealized gains and losses on investments, net	155,883	--
Total investment gain, net	$ 190,649	1,815

(4) Property and Equipment

A summary of property and equipment at December 31, 2014 and 2013 is as follows:

	2014	2013
Leasehold improvements	$ 21,697	16,933
Furniture	2,136	2,136
Office equipment	26,104	26,105
Vehicles	25,689	37,094
	75,626	82,268
Less: accumulated depreciation	(30,099)	(62,384)
Property and equipment, net	$ 45,527	19,884

Depreciation expense of $4,809 and $4,530 in 2014 and 2013, respectively, is included in the statements of activities.

(5) Note Payable

Note payable consists of the following at December 31, 2014 and 2013:

		2014	2013
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.	$	25,689	--
Less: current portion of note payable		(4,626)	--
Long-term portion of note payable	$	21,063	--

Future maturities of this note payable are as follows:

2015	$	4,626
2016		4,899
2017		5,136
2018		5,384
2019		5,644
	$	25,689

(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, 2014 and 2013 was $57,480 and $48,013, 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, 2014 and 2013 was $7,440 and $7,488, respectively.

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

2015	$	47,940
2016		51,540
2017		52,340
2018		54,760
2019		43,000
	$	249,580

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013:

	2014	2013
Term endowment for programs	$ 2,191,009	--
Term endowment for Lincoln Shark's Special Olympic Team	39,021	20,000
	$ 2,230,030	20,000

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. 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.

(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, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted term endowment funds	$ --	2,230,030	--	2,230,030

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted term endowment funds	$ --	20,000	--	20,000

The changes in endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	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

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ --	--	--	--
Investment return:				
Interest and dividends, net	--	--	--	--
Net appreciation (realized and unrealized)	--	--	--	--
Total investment return	--	--	--	--
Contributions	--	20,000	--	20,000
Appropriations of endowment assets for expenditure	--	--	--	--
Endowment net assets, end of year	$ --	20,000	--	20,000

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.

(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, 2014 and 2013 was $15,874 and $12,877, 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:

		2014	2013
Program	$	46,073	68,043
Fundraising		46,073	68,043
	$	92,146	136,086

(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.