Special Olympics Nebraska, Inc.
Omaha, Nebraska

Financial Statements
December 31, 2017,
with Comparative Totals for 2016

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SEIM JOHNSON, LLP.

Omaha, Nebraska,
April 10, 2018.

Special Olympics Nebraska, Inc.

Statement of Financial Position
December 31, 2017, with Comparative Totals for 2016

		2017	2016
ASSETS			
Current assets:			
Cash and cash equivalents	$	216,454	93,905
Investments		577,661	763,279
Accounts receivable		3,877	20,409
Prepaid expenses		16,596	11,991
Total current assets		814,588	889,584
Beneficial interest in charitable trust		50,578	50,578
Cash restricted for term endowment		52,508	49,695
Investments restricted for term endowment		2,435,202	2,212,560
Property and equipment, net		39,725	54,236
Total assets	$	3,392,601	3,256,653
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of notes payable	$	13,721	13,194
Accounts payable and accrued expenses		25,261	26,887
Deferred revenue		66,446	46,567
Total current liabilities		105,428	86,648
Notes payable, net of current portion		14,268	27,991
Total liabilities		119,696	114,639
Net assets:			
Unrestricted		734,617	829,181
Temporarily restricted		2,538,288	2,312,833
Total net assets		3,272,905	3,142,014
Total liabilities and net assets	$	3,392,601	3,256,653

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Activities
For the Year Ended December 31, 2017, with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 647,742	--	647,742	767,730
Special events	545,314	--	545,314	506,888
Direct-marketing contributions	234,366	--	234,366	249,559
Grants	458,252	--	458,252	459,211
Donated goods and services	86,952	--	86,952	108,203
Special Olympics International distribution	31,938	--	31,938	703
Investment income, net	84,754	302,734	387,488	238,022
Net assets released from restrictions	77,279	(77,279)	--	--
Total revenue, gains and other support	2,166,597	225,455	2,392,052	2,330,316
EXPENSES:				
Program services	1,555,081	--	1,555,081	1,502,296
Management and general	202,936	--	202,936	206,672
Fundraising	503,144	--	503,144	611,759
Total expenses	2,261,161	--	2,261,161	2,320,727
CHANGE IN NET ASSETS	(94,564)	225,455	130,891	9,589
NET ASSETS, beginning of year	829,181	2,312,833	3,142,014	3,132,425
NET ASSETS, end of year	$ 734,617	2,538,288	3,272,905	3,142,014

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2017, with Comparative Totals for 2016

		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	130,891	9,589
Adjustments to reconcile change in net assets to net cash flows used in operating activites:			
Depreciation		14,511	14,511
Change in unrealized gains and losses on investments, net		(285,314)	(173,197)
(Increase) decrease in current assets -			
Accounts receivable		16,532	(17,242)
Prepaid expenses		(4,605)	6,811
Increase (decrease) in current liabilities -			
Accounts payable and accrued expenses		(1,626)	4,091
Deferred revenue		19,879	(3,593)
Net cash used in operating activities		(109,732)	(159,030)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in cash restricted for investment in term endowment		(2,813)	(11,617)
Proceeds from the sale of investments		1,321,412	459,554
Purchases of investments		(1,073,122)	(443,917)
Net cash provided by investing activities		245,477	4,020
CASH FLOWS FROM FINANCING ACTIVITIES,			
Principal payments on notes payable		(13,196)	(12,644)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		122,549	(167,654)
CASH AND CASH EQUIVALENTS, beginning of year		93,905	261,559
CASH AND CASH EQUIVALENTS, end of year	$	216,454	93,905

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2017, with Comparative Totals for 2016

	Program Services	Management and General	Fundraising	2017 Total	2016 Total
SALARIES AND BENEFITS:					
Salaries	$ 471,510	125,249	221,627	818,386	812,214
Employee benefits	52,729	17,508	30,089	100,326	94,369
Payroll taxes	35,396	7,338	12,004	54,738	59,700
Total salaries and benefits	559,635	150,095	263,720	973,450	966,283
OTHER EXPENSES:					
Event expenses	589,135	1,845	51,770	642,750	648,212
Operating expenses	79,143	2,220	41,387	122,750	108,604
Direct school support	89,738	--	--	89,738	89,249
Occupancy	57,753	10,798	17,667	86,218	81,665
Advertising	45,034	--	31,901	76,935	114,279
Travel, conferences and lodging	25,743	1,576	43,478	70,797	103,412
Legal and professional fees	24,992	30,641	5,866	61,499	60,436
Public education and awareness	32,560	--	--	32,560	38,110
Telemarketing	--	--	32,560	32,560	37,199
National fees	26,226	--	--	26,226	22,649
Insurance	13,565	2,814	5,017	21,396	23,607
Depreciation	8,943	2,001	3,567	14,511	14,511
Business expenses	2,614	946	6,211	9,771	12,511
Total expenses	$ 1,555,081	202,936	503,144	2,261,161	2,320,727

See notes to financial statements

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

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

A. Organization

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

B. Basis of Accounting and Presentation

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

I. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. As of December 31, 2017 and 2016, 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, 2017 and 2016, SONE had no permanently restricted net assets.

C. Use of Estimates

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

D. Cash and Cash Equivalents

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

E. Beneficial Interest in Charitable Trust

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

The beneficial interests in charitable trusts are recognized as revenue when SONE is notified that it has been named as an irrevocable beneficiary and has sufficient information to make a reasonable estimate of the fair value of its interest. The value of the beneficial interest in charitable trust is adjusted annually for the change in fair value. The changes in value are reported as changes in temporarily restricted net assets. Upon the termination date specified by the trust, the partial interest in trust assets will be distributed to SONE by the trustee under the provisions of the trust agreement and the net assets will be reclassified from temporarily restricted to unrestricted.

F. Investments

All short-term and long-term investments are measured at fair value in the statement 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 statement 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 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the long-lived assets are acquired.

H. Deferred Revenue

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

I. Donor Restricted Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions have been substantially met. The contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

SONE expects to receive intentions to give of approximately $509,000 and $242,000 as of December 31, 2017 and 2016, respectively. The intentions to give have 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 $86,952 and $108,203 are included in income and offset with corresponding expenses for the years ended December 31, 2017 and 2016, 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. *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, 2017 and 2016, SONE had no uncertain tax positions accrued.

M. *Comparative Amounts*

The amounts shown for 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017, and are not intended to present all information necessary for a fair presentation of the 2016 financial statements in conformity with GAAP.

N. *Reclassification*

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 reporting format.

O. *Recent Accounting Pronouncement*

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

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

P. *Subsequent Events*

SONE considered events occurring through April 10, 2018 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Fair Value

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

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

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

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

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

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

<u>*Cash equivalents*</u>– Cash equivalents are recorded at fair value using quoted market prices.

Corporate bonds – Fair values are based on quoted market prices, if available, or estimated using pricing models, quoted prices of similar securities with similar characteristics, or discounted cash flows.

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

Mutual funds – 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, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	$ --	--	50,578	50,578
Cash equivalents	$ 152,096	--	--	152,096
Corporate bonds	--	578,944	--	578,944
U.S. Treasury notes	--	70,641	--	70,641
Stocks -				
Common	1,706,124	--	--	1,706,124
Mutual funds -				
Equity	306,989	--	--	306,989
Fixed income	231,453	--	--	231,453
Real estate	19,124	--	--	19,124
	$ 2,415,786	649,585	--	3,065,371

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

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, 2017 and 2016:

		2017	2016
Balance at beginning of year	$	50,578	50,578
Change in value of beneficial interest in charitable trust		--	--
Balance at end of year	$	50,578	50,578

(3) Investment Returns

Investment returns consist of the following for the years ended December 31, 2017 and 2016:

		2017	2016
Interest	$	14,285	13,947
Dividends		62,911	65,267
Investment fees		(25,005)	(24,223)
Investment income, net		52,191	54,991
Realized and unrealized gains on investments, net		335,297	183,031
Total investment income, net	$	387,488	238,022

(4) Property and Equipment

A summary of property and equipment at December 31, 2017 and 2016 is as follows:

		2017	2016
Leasehold improvements	$	21,697	21,697
Furniture		2,136	2,136
Office equipment		26,104	26,104
Vehicles		58,439	58,439
		108,376	108,376
Less: accumulated depreciation		(68,651)	(54,140)
Property and equipment, net	$	39,725	54,236

Depreciation expense of $14,511 in 2017 and 2016, is included in the statement of activities.

(5) Line of Credit

SONE's financing arrangement consists of a $100,000 revolving bank line of credit with interest at the prime rate plus 1.25% as published in the Wall Street Journal (5.75% at December 31, 2017) subject to a 5.00% floor and payable monthly. This line of credit was collateralized by certain assets held by SONE. There were no amounts outstanding on this line of credit at December 31, 2017 and 2016.

(6) Notes Payable

Notes payable consists of the following at December 31, 2017 and 2016:

		2017	2016
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.	$	11,028	16,164
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.		16,961	25,021
		27,989	41,185
Less: current portion of notes payable		(13,721)	(13,194)
Long-term portion of notes payable	$	14,268	27,991

Future maturities of these notes payable are as follows:

2018	$	13,721
2019		14,268
	$	27,989

(7) Leases

SONE leases office space under a non-cancellable operating lease with an unrelated party expiring on October 31, 2019. The lease provides that the lessee pay common area maintenance plus monthly rent of $3,900 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, 2017 and 2016 was $62,600 and $61,800, 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, 2017 and 2016 was $4,740.

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

2018	$	54,760
2019		43,000
	$	97,760

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

		2017	2016
Term endowment for programs	$	2,451,482	2,225,118
Term endowment for Lincoln Shark's Special Olympic Team		36,228	37,137
Beneficial interest in charitable trust		50,578	50,578
	$	2,538,288	2,312,833

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

(9) Endowments

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

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

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

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

The composition of endowment net assets by type of fund is as follows at December 31, 2017 and 2016:

		2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted term endowment funds	$ --	2,487,710	--	2,487,710

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

The changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

		2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ --	2,262,255	--	2,262,255
Investment return:				
Interest and dividends, net	--	42,091	--	42,091
Net appreciation (realized and unrealized)	--	260,643	--	260,643
Total investment return	--	302,734	--	302,734
Contributions	--	--	--	--
Appropriations of endowment assets for expenditure	--	(77,279)	--	(77,279)
Endowment net assets, end of year	$ --	2,487,710	--	2,487,710

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

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

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

(10) Employee Benefit Plan

SONE has a defined contribution plan which is available to its employees who are reasonably expected to receive at least $5,000 in compensation for the calendar year. SONE matches contributions made by the employees from a minimum of 1% to a maximum of 3% of participant's base salary. Employees are immediately 100% vested in all matching or discretionary contributions made by SONE. Expense for the program for the years ended December 31, 2017 and 2016 was $19,836 and $18,087, respectively.

(11) Joint Costs

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

	2017	2016
Program	$ 32,560	37,199
Fundraising	32,560	37,199
	$ 65,120	74,398

(12) Concentrations, Risks and Uncertainties

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

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

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.