SPECIAL OLYMPICS ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

SPECIAL OLYMPICS ARIZONA, INC.

We have audited the accompanying financial statements of ***Special Olympics Arizona, Inc.***, which comprise the statement of financial position at December 31, 2015, and the related statements of activities and cash flows 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.

Auditors' 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 auditors' 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 Arizona, Inc.*** as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ***Special Olympics Arizona, Inc.'s*** 2014 financial statements, and our report dated May 26, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

March 18, 2016

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015
(with comparative totals at December 31, 2014)

A S S E T S

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 1,361,894	$ 718,626
Receivables	191,493	186,833
Contributions receivable	200,000	307,330
Prepaid expenses	81,197	100,060
Other current assets	4,045	838
Short-term investments	858,380	556,212
TOTAL CURRENT ASSETS	2,697,009	1,869,899
CONTRIBUTIONS RECEIVABLE, net	454,720	537,259
LONG-TERM INVESTMENTS	150,000	450,000
PROPERTY AND EQUIPMENT, net	543,459	417,148
TOTAL ASSETS	$ 3,845,188	$ 3,274,306

L I A B I L I T I E S A N D N E T A S S E T S

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ -	$ 27,565
Accrued expenses	64,027	47,667
Current maturities of long-term debt	-	18,435
TOTAL CURRENT LIABILITIES	64,027	93,667
LONG-TERM DEBT, net of current maturities	-	40,920
TOTAL LIABILITIES	64,027	134,587
NET ASSETS		
Unrestricted	3,126,441	2,295,130
Temporarily restricted	654,720	844,589
TOTAL NET ASSETS	3,781,161	3,139,719
TOTAL LIABILITIES AND NET ASSETS	$ 3,845,188	$ 3,274,306

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Totals 2015	Totals 2014
SUPPORT AND REVENUE				
Contributions	$ 1,766,058	$ -	$ 1,766,058	$ 1,563,346
Grants	989,869	-	989,869	924,520
Donated materials and services	2,982,942	-	2,982,942	2,958,121
Telemarketing and direct mail	375,794	-	375,794	413,676
Merchandise sales	56,643	-	56,643	40,101
Interest and dividend income	2,294	-	2,294	8,179
Total support and revenue before special events	6,173,600	-	6,173,600	5,907,943
State special events	2,142,546	-	2,142,546	2,113,475
Less cost of direct donor benefits	(642,498)	-	(642,498)	(745,655)
Gross profit on state special events	1,500,048	-	1,500,048	1,367,820
Local special events	262,229	-	262,229	145,833
Less cost of direct donor benefits	(122,383)	-	(122,383)	(52,421)
Gross profit on local special events	139,846	-	139,846	93,412
Net assets released from restrictions	189,869	(189,869)	-	-
TOTAL SUPPORT AND REVENUE	8,003,363	(189,869)	7,813,494	7,369,175
FUNCTIONAL EXPENSES				
Program services:				
State and local programs	1,738,887	-	1,738,887	2,051,338
Competition	3,557,889	-	3,557,889	3,332,445
Public education	737,473	-	737,473	670,804
Outreach and volunteers	154,977	-	154,977	140,787
Training	547,423	-	547,423	334,002
Total program services	6,736,649	-	6,736,649	6,529,376
Support services:				
Fundraising	170,208	-	170,208	217,572
General and administrative	194,765	-	194,765	129,014
Total support services	364,973	-	364,973	346,586
TOTAL FUNCTIONAL EXPENSES	7,101,622	-	7,101,622	6,875,962
CHAPTER ASSESSMENT	70,430	-	70,430	60,955
TOTAL EXPENSES	7,172,052	-	7,172,052	6,936,917
CHANGE IN NET ASSETS	831,311	(189,869)	641,442	432,258
NET ASSETS, BEGINNING OF YEAR	2,295,130	844,589	3,139,719	2,707,461
NET ASSETS, END OF YEAR	$ 3,126,441	$ 654,720	$ 3,781,161	$ 3,139,719

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 641,442	$ 432,258
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	135,498	104,444
Change in discount on contributions receivable	(17,461)	(42,634)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(4,660)	(51,268)
Contributions receivable	207,330	27,670
Prepaid expenses	18,863	(25,934)
Other current assets	(3,207)	2,316
Increase (decrease) in:		
Accounts payable	(27,565)	(38,847)
Accrued expenses	16,360	6,184
Net cash provided by operating activities	966,600	414,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(702,168)	(705,892)
Proceeds from sale of investments	700,000	300,320
Purchases of property and equipment	(261,809)	(138,362)
Net cash used in investing activities	(263,977)	(543,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(98,087)	(17,652)
Proceeds from long-term debt	38,732	-
Net cash used in financing activities	(59,355)	(17,652)
NET CHANGE IN CASH AND CASH EQUIVALENTS	643,268	(147,397)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	718,626	866,023
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,361,894	$ 718,626
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 1,391	$ 2,872

SPECIAL OLYMPICS ARIZONA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

(1) Nature of operations and summary of significant accounting policies

Nature of operations - ***Special Olympics Arizona, Inc.*** (the “Organization”) was formed to provide year-round sports training and athletic competition to all children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in the sharing of gifts, skills and friendship with their families, other Special Olympians and the community. The Organization is accredited by Special Olympics International (“SOI”), an international Olympic training and competition program. The Organization is the legal entity for all area and local SOI programs in Arizona. The Chapter headquarters in Phoenix, Arizona accounts for all activity for the Organization’s programs. There are two levels of programs, as follows:

1. State Programs - These programs are run by full-time employees. The accounting records are under the direction of a full-time Vice President of Finance & Administration.

2. Local Programs - These programs are run by area directors, whom are also SOA employees. There are 6 of these programs located throughout Arizona.

The significant accounting policies followed by the Organization are summarized below:

Basis of presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities - Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets are restricted by donors to be maintained by the Organization in perpetuity. There were no permanently restricted net assets at December 31, 2015 and 2014.

Prior year summarized information - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Management’s use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Cash deposits at commercial banks are insured in limited amounts by the Federal Deposit Insurance Corporation (“FDIC”).

(1) Nature of operations and summary of significant accounting policies (continued)

Investments - The Organization accounts for its investments in accordance with FASB ASC 958-320*, Not-for-Profit Entities – Investments - Debt and Equity Securities*. Under FASB ASC 958-320, the Organization is required to report investments in equity securities that have readily determinable fair value and all investments in debt securities, at fair value. At December 31, 2015 and 2014, investments are classified as current or long-term based on their maturities and management's intent.

Fair value measurements - FASB ASC 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Bank certificates of deposit are valued using proprietary valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers, and other data. These valuation inputs are considered level 2. The money market mutual fund is valued at its quoted market price and thus uses level 1 inputs.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management considers receivables to be fully collectible as of December 31, 2015 and 2014 and, accordingly, an allowance for doubtful accounts is not considered necessary.

Contributions receivable - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(1) Nature of operations and summary of significant accounting policies (continued)

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Office furniture and equipment	3 - 7 years
Software and licenses	3 - 5 years
Vehicles	5 years

Impairment of long-lived assets - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment.* FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded in 2015 and 2014.

Contributions - The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support, where the restrictions are met in the same period the contribution is made, is shown as unrestricted support.

Telemarketing and direct mail - The Organization has telemarketing and direct mail contracts that account for a significant portion of the Organization's total support. Under the contracts, third party administrators are given the right to raise support on behalf of the Organization. The support raised represents individual contributions as a result of direct solicitation by either telephone or mail. Revenue under the telemarketing and direct mail contracts is recognized in accordance with contributions discussed above.

Donated materials and services - Donated materials and services as reflected in the accompanying financial statements at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs, such as games management, coaching, training, program coordinator, area director, referees and umpires, and chaperons. Without this dedicated volunteer support, the Organization would be unable to accomplish its mission.

(1) Nature of operations and summary of significant accounting policies (continued)

The Organization is dependent on donated materials and services from such diverse groups as local government parks and recreation departments, quasi-government organizations, universities, merchant and restaurant organizations and businesses. Without these donations, the Organization would be unable to carry out its mission to provide sporting competition for the developmentally disabled. The Organization received the following donated materials and services during the years ended December 31:

	2015	2014
Volunteer time	$ 2,589,974	$ 2,602,404
Facilities	163,764	278,131
Printing and media	233,057	293,873
Food and beverage	55,119	58,303
Fundraising items	26,591	34,416
Equipment rental, uniforms, and supplies	89,037	54,106
Total donated materials and services	$ 3,157,542	$ 3,321,233

For the years ended December 31, 2015 and 2014, $174,600 and $363,112, respectively, of donated materials and services are included in special events revenue, as the donations were specifically for the special events.

Special events revenue - The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as special events revenues in the accompanying statements of activities.

Grant revenue - Grant revenue includes cost reimbursement grants in which the grantors reimburse the allowable costs incurred. Revenues are considered earned as allowable costs are incurred. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants.

Functional expenses - The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel activity and other appropriate allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(1) Nature of operations and summary of significant accounting policies (continued)

Allocation of joint costs - The Organization follows FASB ASC 958-720, *Not-for-Profit Entities - Other Expenses*, which requires that costs of a joint activity be allocated between fundraising and the appropriate program or general and administrative function. Certain costs have been incurred by the Organization for public education in which an appeal is also made for contributions. Those activities included direct mail campaigns and telemarketing efforts. The costs of conducting those activities included total joint costs of $72,651 and $78,419 for the years ended December 31, 2015 and 2014, respectively, which are not specifically attributable to particular components of activities. These joint costs were allocated as follows:

	2015	2014
Public education	$ 36,301	$ 43,998
Fundraising	36,350	34,421
Total	$ 72,651	$ 78,419

Income tax status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. At December 31, 2015 and 2014, management does not believe the Organization has any uncertain tax positions. The Organization's policy is to classify income tax penalties and interest in general and administrative expense in the accompanying statement of activities, if any.

The Organization's federal Return of Organizations Exempt from Income Tax (Form 990) for 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2015 return had not yet been filed.

Recent accounting pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued FASB ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

(1) Nature of operations and summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the adoption of this standard will have on the financial statements.

Subsequent events - The Organization has evaluated subsequent events through March 18, 2016, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:	2015	2014
Money market mutual fund	$ 158,380	$ 156,789
Certificates of deposit	850,000	849,423
Total investments	$ 1,008,380	$ 1,006,212

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

(3) Fair value measurements

The following table summarizes the valuation of the Organization's assets subject to measurement at fair value by the FASB ASC 820 categories as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Money market mutual fund	$ 158,380	$ -	$ -	$ 158,380
Certificates of deposit	-	850,000	-	850,000
Total	$ 158,380	$ 850,000	$ -	$ 1,008,380

The following table summarizes the valuation of the Organization's assets subject to measurement at fair value by the FASB ASC 820 categories as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Money market mutual fund	$ 156,789	$ -	$ -	$ 156,789
Certificates of deposit	-	849,423	-	849,423
Total	$ 156,789	$ 849,423	$ -	$ 1,006,212

(4) <u>Receivables</u>

Receivables consist of:	2015	2014
Grants receivable	$ 132,165	$ 141,240
Special Olympics International	59,328	45,593
Total receivables	$ 191,493	$ 186,833

The receivables from Special Olympics International primarily relate to monies due from the Centralized Direct Mail Program ("CDMP").

(5) <u>Contributions receivable</u>

	2015	2014
Due in less than one year	$ 200,000	$ 307,330
Due in two to five years	300,000	400,000
Due in six to nine years	200,000	200,000
Total contributions receivable	700,000	907,330
Discount to present value	(45,280)	(62,741)
Contributions receivable, net	$ 654,720	$ 844,589

In 2012, the Organization received a $1 million contribution receivable from a donor as part of a bequest. In accordance with the donor's wishes, the Organization will receive $100,000 over 10 years, beginning in 2012. The Organization received the 2015 and 2014 distribution in February 2016 and 2015 respectively, thus this amount is included within current contributions receivable as of December 31, 2015 and 2014. While the donation is time restricted, there are no purpose restrictions on the contributed funds.

Contributions receivable are stated at the amount management expects to collect and are discounted over the collection period using a discount rate of 3.5%. Management provides for uncollectible contributions receivable through a charge to earnings and a credit to the allowance for uncollectible contributions. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible contributions receivable and a credit to contributions receivable. At December 31, 2015 and 2014, management considers contributions receivable to be fully collectible and accordingly, an allowance for uncollectible contributions receivable is not considered necessary.

(6) <u>Property and equipment</u>

Property and equipment consists of:

	2015	2014
Cost and donated value:		
Office furniture and equipment	$ 505,148	$ 380,426
Software and licenses	264,129	190,074
Vehicles	276,665	184,743
Projects in process	45,166	74,055
Total cost and donated value	1,091,108	829,298
Accumulated depreciation	(547,649)	(412,150)
Property and equipment, net	$ 543,459	$ 417,148

(6) Property and equipment (continued)

Depreciation expense charged to operations was $135,498 and $104,444 for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, projects in process included approximately $45,000 and $61,900, respectively, of website development costs. Website development costs of $49,793 were placed into service during 2015. The remaining website development project is expected to go live in March 2016, with $10,000 in remaining costs to be incurred. Additionally, projects in process includes $12,100 at December 31, 2014 related to an upgrade to the Organization's accounting system. The upgrade was completed in September 2015 and included $12,162 of additional costs. All projects in process are being funded through the use of operating cash.

(7) Long-term debt

In May 2015, the Organization entered into a note payable for $38,732 for the purchase of a vehicle. The note required monthly principal and interest payments of $749, bearing interest at 5.89% and maturing in 2020. In July 2013, the Organization entered into three notes payable for the purchase of three vehicles. The notes required combined monthly principal and interest payments of $924, bearing interest at 2.95% and maturing in June 2018. In July 2012, the Organization entered into a note payable for $40,504 for the purchase of a vehicle. The note required monthly principal and interest payments of $785, bearing interest at 5.99% and maturing in July 2017. As of December 31, 2015, all five notes payable were repaid in full.

(8) Operating leases

The Organization has entered into non-cancelable operating lease agreements for office and storage space and equipment expiring through May 2020. The total future minimum lease commitments payable under these lease agreements are as follows:

Years Ending December 31,		
2016	$	53,674
2017		41,701
2018		36,097
2019		36,097
2020		20,150
Total minimum future rental payments	$	187,719

Rental expense for the years ended December 31, 2015 and 2014 was $38,962 and $17,577, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

(9) Chapter assessment

The Organization is allocated a portion of Special Olympics International's expenses. The chapter assessment included on the statement of activities represents the amount allocated to the Organization.

(10) Temporarily restricted net assets

Temporarily restricted net assets consist of time restricted contributions receivable (See Note 5). Releases from restriction represent collections on the contributions receivable.

(11) 401(k) plan

The Organization has a 401(k) profit sharing plan. The plan provides for the Organization to match 100% of employees' contributions up to 4% of their total compensation. The Organization had matching contributions of $41,179 in 2015 and $38,552 in 2014.

(12) Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits in banks and receivables. At December 31, 2015 and 2014, gross contributions receivable include $700,000 and $800,000, respectively, due from a large bequest received in 2012 (Note 5). The Organization does not anticipate nonperformance by the party associated with the contribution receivable based on historical collections.