SPECIAL OLYMPICS ARIZONA, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2014

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FINANCIAL STATEMENTS

Year Ended December 31, 2014

CONTENTS

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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, 2014, 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, 2014, 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*** 2013 financial statements, and our report dated May 16, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
May 26, 2015

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014
(with comparative totals at December 31, 2013)

A S S E T S

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 718,626	$ 866,023
Receivables	186,833	135,565
Contributions receivable	307,330	235,000
Prepaid expenses	100,060	74,126
Other current assets	838	3,154
Short-term investments	556,212	450,000
TOTAL CURRENT ASSETS	1,869,899	1,763,868
CONTRIBUTIONS RECEIVABLE, net	537,259	594,625
LONG-TERM INVESTMENTS	450,000	150,000
PROPERTY AND EQUIPMENT, net	417,148	383,870
TOTAL ASSETS	$ 3,274,306	$ 2,892,363

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

	2014	2013
CURRENT LIABILITIES		
Accounts payable	$ 27,565	$ 66,412
Accrued expenses	47,667	41,483
Current maturities of long-term debt	18,435	17,652
TOTAL CURRENT LIABILITIES	93,667	125,547
LONG-TERM DEBT, net of current maturities	40,920	59,355
TOTAL LIABILITIES	134,587	184,902
NET ASSETS		
Unrestricted	2,295,130	1,877,836
Temporarily restricted	844,589	829,625
TOTAL NET ASSETS	3,139,719	2,707,461
TOTAL LIABILITIES AND NET ASSETS	$ 3,274,306	$ 2,892,363

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Totals 2014	Totals 2013
SUPPORT AND REVENUE				
Contributions	$ 1,413,382	$ 149,964	$ 1,563,346	$ 1,897,377
Grants	924,520	-	924,520	841,336
Donated materials and services	2,958,121	-	2,958,121	2,196,597
Telemarketing and direct mail	413,676	-	413,676	488,523
Merchandise sales	40,101	-	40,101	38,929
Interest and dividend income	8,179	-	8,179	3,064
Total support and revenue before special events	5,757,979	149,964	5,907,943	5,465,826
State special events	2,113,475	-	2,113,475	1,350,801
Less cost of direct donor benefits	(745,655)	-	(745,655)	(605,272)
Gross profit on state special events	1,367,820	-	1,367,820	745,529
Local special events	145,833	-	145,833	174,631
Less cost of direct donor benefits	(52,421)	-	(52,421)	(30,984)
Gross profit on local special events	93,412	-	93,412	143,647
Net assets released from restrictions	135,000	(135,000)	-	-
TOTAL SUPPORT AND REVENUE	7,354,211	14,964	7,369,175	6,355,002
FUNCTIONAL EXPENSES				
Program services:				
State and local programs	2,051,338	-	2,051,338	2,810,812
Competition	3,332,445	-	3,332,445	1,450,591
Public education	670,804	-	670,804	805,263
Outreach and volunteers	140,787	-	140,787	328,009
Training	334,002	-	334,002	217,849
Total program services	6,529,376	-	6,529,376	5,612,524
Support services:				
Fundraising	217,572	-	217,572	275,153
General and administrative	129,014	-	129,014	280,075
Total support services	346,586	-	346,586	555,228
TOTAL FUNCTIONAL EXPENSES	6,875,962	-	6,875,962	6,167,752
CHAPTER ASSESSMENT	60,955	-	60,955	53,510
TOTAL EXPENSES	6,936,917	-	6,936,917	6,221,262
CHANGE IN NET ASSETS	417,294	14,964	432,258	133,740
NET ASSETS, BEGINNING OF YEAR	1,877,836	829,625	2,707,461	2,573,721
NET ASSETS, END OF YEAR	$ 2,295,130	$ 844,589	$ 3,139,719	$ 2,707,461

See Notes to Financial Statements

SPECIAL OLYMPICS ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 432,258	$ 133,740
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	104,444	72,151
Change in discount on contributions receivable	(42,634)	(25,013)
Gain on asset held for sale	-	(5,027)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(51,268)	(44,830)
Contributions receivable	27,670	97,810
Prepaid expenses	(25,934)	7,756
Other current assets	2,316	26,860
Increase (decrease) in:		
Accounts payable	(38,847)	48,498
Accrued expenses	6,184	(7,244)
Net cash provided by operating activities	414,189	304,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(705,892)	(150,000)
Proceeds from sale of investments	300,320	150,000
Purchases of property and equipment	(138,362)	(189,031)
Proceeds from sale of asset held for sale	-	200,000
Net cash (used in) provided by investing activities	(543,934)	10,969
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(17,652)	(12,155)
Proceeds from long-term debt	-	51,584
Net cash (used in) provided by financing activities	(17,652)	39,429
NET CHANGE IN CASH AND CASH EQUIVALENTS	(147,397)	355,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	866,023	510,924
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 718,626	$ 866,023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 2,872	$ 2,816

See Notes to Financial Statements

(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, 2014 and 2013.

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, 2013, 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, 2014 and 2013, 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.

Commercial paper and 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.

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, 2014 and 2013 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 2014 and 2013.

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.

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:

	2014	2013
Volunteer time	$ 2,602,404	$ 1,764,394
Facilities	278,131	260,490
Printing and media	293,873	163,199
Food and beverage	58,303	62,747
Fundraising items	34,416	52,171
Equipment rental, uniforms and supplies	54,106	45,331
Total donated materials and services	$ 3,321,233	$ 2,348,332

For the years ended December 31, 2014 and 2013, $363,112 and $151,735, 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 $78,419 and $136,606 for the years ended December 31, 2014 and 2013, respectively, which are not specifically attributable to particular components of activities. These joint costs were allocated as follows:

	2014	2013
Public education	$ 43,998	$ 77,619
Fundraising	34,421	58,987
Total	$ 78,419	$ 136,606

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, 2014 and 2013, 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 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the 2014 return had not yet been filed.

Recent accounting pronouncements - In October 2012, the FASB issued Accounting Standards Update ("ASU") No. 2012-05 ("ASU 2012-05") "Statement of Cash Flows (Topic 230)". ASU 2012-05 requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit. ASU 2012-05 is effective for the first annual period beginning after June 15, 2013. The amendments of this ASU will be applied prospectively, with early adoption permitted if the not-for-profit's financial statements for the early adoption period have not yet been made available for issuance. Retrospective application to all prior periods presented is permitted, but not required. The adoption of ASU 2012-05 did not have a significant impact on the Organization's financial statements.

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

In May 2014, the Financial Accounting Standards Board ("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. The amendments are required to be adopted for the Organization's December 31, 2018 financial statements. Early adoption is permitted. 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 the financial statements.

Subsequent events - The Organization has evaluated subsequent events through May 26, 2015, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:	2014	2013
Money market mutual fund	$ 156,789	$ 150,000
Certificates of deposit	849,423	300,000
Commercial paper	-	150,000
Total investments	$ 1,006,212	$ 600,000

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 Company'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

(3) Fair value measurements (continued)

The following table summarizes the valuation of the Company's assets subject to measurement at fair value by the FASB ASC 820 categories as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Money market mutual fund	$ 150,000	$ -	$ -	$ 150,000
Certificates of deposit	-	300,000	-	300,000
Commercial paper	-	150,000	-	150,000
Total	$ 150,000	$ 450,000	$ -	$ 600,000

(4) Receivables

Receivables consist of:	2014	2013
Grants receivable	$ 141,240	$ 58,101
Special Olympics International	45,593	22,878
Telemarketing	-	54,586
Total receivable	$ 186,833	$ 135,565

The receivables from Special Olympics International primarily relate to monies due from the Centralized Direct Mail Program (CDMP). The telemarketing receivable represents amounts owed to the Organization based on its contract with the telemarketing service provider.

(5) Contributions receivable

Contributions receivable consist of the following at December 31:	2014	2013
Due in less than one year	$ 307,330	$ 235,000
Due in two to five years	400,000	400,000
Due in six to nine years	200,000	300,000
Total contributions receivable	907,330	935,000
Discount to present value	(62,741)	(105,375)
Contributions receivable, net	$ 844,589	$ 829,625

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 2014 and 2013 distribution in February 2015 and 2014 respectively, thus this amount is included within current contributions receivable as of December 31, 2014 and 2013. While the donation is time restricted, there are no purpose restrictions on the 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, 2014 and 2013, management considers contributions receivable to be fully collectible and accordingly, an allowance for uncollectible contributions receivable is not considered necessary.

(6) Property and equipment

Property and equipment consists of:

	2014	2013
Cost and donated value:		
Office furniture and equipment	$ 380,426	$ 329,477
Software and licenses	190,074	190,074
Vehicles	184,743	142,885
Projects in process	74,055	28,500
Total cost and donated value	829,298	690,936
Accumulated depreciation	(412,150)	(307,066)
Property and equipment, net	$ 417,148	$ 383,870

At December 31, 2014 and 2013, projects in process included approximately $61,900 and $28,500, respectively, of website development costs. The project is expected to be completed in December 2015, with remaining costs to incur at December 31, 2014 of approximately $30,000. Additionally, at December 31, 2014, projects in process also included approximately $12,100 of costs related to upgrades to the Organization's accounting system. The project is expected to be completed in June 2015, with remaining costs to incur at December 31, 2014 of approximately $1,000. All projects in process are being funded through the use of operating cash and investments.

(7) Asset held for sale

In 2012, the Organization purchased a vehicle with the intent to customize and modify the vehicle for sale. In 2012, the Organization paid $98,573 for the vehicle, and related parts and labor. Additionally, the Organization received $96,400 of in-kind contributions related to parts and labor. Assets held for sale are reported at the lower of the carrying amount or fair value less costs to sell. At December 31, 2012, the carrying value was $194,973. In January 2013, the Organization sold the vehicle for $200,000.

(8) Long-term debt

In July 2013, the Organization entered into three notes payable for the purchase of three vehicles. The notes require combined monthly principal and interest payments of $924, bear interest at 2.95% and mature in June 2018. In July 2012, the Organization entered into a note payable for $40,504 for the purchase of a vehicle. The note requires monthly principal and interest payments of $785, bears interest at 5.99% and matures in July 2017. Scheduled principal payments on these notes payable at December 31, 2014 are as follows:

Years Ending December 31,	
2015	$ 18,435
2016	19,257
2017	16,156
2018	5,507
Total minimum future debt payments	$ 59,355

(9) Operating leases

The Organization has entered into noncancelable operating lease agreements for office space and equipment expiring through May 2017. The total future minimum lease commitments payable under these lease agreements are as follows:

Years Ending December 31,		
2015	$	17,577
2016		17,577
2017		5,605
Total minimum future rental payments	$	40,760

Rental expense for the years ended December 31, 2014 and 2013 was $17,577 and $46,934, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

On March 10, 2015, the Organization entered into a 63 month lease for storage space. The lease commences May 1, 2015 and is payable in monthly installments of approximately $3,000 which commence August 1, 2015. The lease contains certain escalating rent provisions.

(10) Chapter assessment

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

(11) 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.

(12) 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 $38,552 in 2014 and $35,206 in 2013.

(13) 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, 2014 and 2013, gross contributions receivable include $800,000 and $700,000, 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.