

**SPECIAL OLYMPICS NEW MEXICO, INC.**

**FINANCIAL STATEMENTS**

Years Ended December 31, 2012 and 2011

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**Special Olympics New Mexico, Inc.**  
Albuquerque, New Mexico

We have audited the accompanying financial statements of Special Olympics New Mexico, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 of 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 New Mexico, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Broderick, Phillippi, Wright & Card, LLC*

**Broderick, Phillippi, Wright and Card, LLC**  
Albuquerque, New Mexico  
March 21, 2013

**Special Olympics New Mexico, Inc.**  
 Statements of Financial Position  
 December 31, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash	\$ 394,425	\$ 437,249
Accounts receivable	40,043	5,392
Inventory	3,551	2,791
Prepaid expenses	6,038	6,058
Investments	516,183	479,136
Property and equipment	25,476	36,326
Endowment funds	62,114	56,735
	<b>\$ 1,047,830</b>	<b>\$ 1,023,687</b>
<b>TOTAL ASSETS</b>		
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 22,370	\$ 20,252
Accrued liabilities	4,745	9,025
Deferred revenue	13,250	28,127
Capital lease obligation	18,532	23,014
	58,897	80,418
<b>TOTAL LIABILITIES</b>		
 <b>NET ASSETS</b>		
Unrestricted	946,283	901,144
Permanently restricted	42,650	42,125
	988,933	943,269
<b>TOTAL NET ASSETS</b>		
 <b>TOTAL LIABILITIES AND NET ASSETS</b>		
	<b>\$ 1,047,830</b>	<b>\$ 1,023,687</b>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**

Statement of Activities

Year ended December 31, 2012

	<u>Unrestricted</u>			
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>				
Contributions	\$ 810,284	\$ 259,433	\$ 525	\$ 1,070,242
Direct marketing revenue	284,735	-	-	284,735
Special events	344,972	49,227	-	394,199
State contract	295,000	-	-	295,000
Program sponsor and registration	233,390	-	-	233,390
Investment income	5,328	718	-	6,046
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues, gains, and other support	1,973,709	309,378	525	2,283,612
<b>Expenses</b>				
Program services				
Sporting events and games	702,444	154,883	-	857,327
Sports training	421,467	92,930	-	514,397
Public education activities	280,978	61,953	-	342,931
Total program services	<hr/> 1,404,889	<hr/> 309,766	<hr/> -	<hr/> 1,714,655
Management and general	190,069	-	-	190,069
Fund-raising	332,159	1,065	-	333,224
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	1,927,117	310,831	-	2,237,948
Changes in net assets	46,592	(1,453)	525	45,664
Net assets, beginning of year	<hr/> 528,361	<hr/> 372,783	<hr/> 42,125	<hr/> 943,269
Net assets, end of year	<hr/> <u>\$ 574,953</u>	<hr/> <u>\$ 371,330</u>	<hr/> <u>\$ 42,650</u>	<hr/> <u>\$ 988,933</u>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**

Statement of Activities

Year ended December 31, 2011

	<u>Unrestricted</u>			
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>				
Contributions	\$ 850,318	\$ 278,174	\$ 1,031	\$ 1,129,523
Direct marketing revenue	301,588	-	-	301,588
Special events	324,554	45,433	-	369,987
State contract	295,000	-	-	295,000
Program sponsor and registration	220,784	-	-	220,784
Investment income	41	561	-	602
<b>Total revenues, gains, and other support</b>	<b>1,992,285</b>	<b>324,168</b>	<b>1,031</b>	<b>2,317,484</b>
<b>Expenses</b>				
Program services				
Sporting events and games	743,721	144,281	-	888,002
Sports training	446,232	86,568	-	532,800
Public education activities	297,488	57,712	-	355,200
<b>Total program services</b>	<b>1,487,441</b>	<b>288,561</b>	<b>-</b>	<b>1,776,002</b>
Management and general	177,137	-	-	177,137
Fund-raising	365,479	2,164	-	367,643
<b>Total expenses</b>	<b>2,030,057</b>	<b>290,725</b>	<b>-</b>	<b>2,320,782</b>
Changes in net assets	(37,772)	33,443	1,031	(3,298)
Net assets, beginning of year	566,133	339,340	41,094	946,567
Net assets, end of year	<u>\$ 528,361</u>	<u>\$ 372,783</u>	<u>\$ 42,125</u>	<u>\$ 943,269</u>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**  
Statement of Functional Expenses  
Year Ended December 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 308,202	\$ 121,380	\$ 90,076	\$ 519,658
Program donated services	297,341	-	-	297,341
Program food and lodging	276,628	-	-	276,628
Outreach	261,586	-	-	261,586
Fund-raising expense	-	-	132,130	132,130
Equipment and uniforms	128,122	-	-	128,122
Other program expenses	122,467	-	-	122,467
Benefits	70,709	27,847	20,665	119,221
Special events	31,205	-	72,812	104,017
Program awards and recognition	57,944	-	-	57,944
Program facilities	44,368	-	-	44,368
Rent	23,523	6,454	6,454	36,431
Office supplies and expenses	23,880	3,065	3,710	30,655
Chapter assessment fees	21,996	-	-	21,996
Other expenses	11,003	7,335	-	18,338
Telephone	7,385	2,954	4,431	14,770
Insurance	12,453	1,384	-	13,837
Accounting services	-	12,305	-	12,305
Depreciation	6,682	2,084	2,084	10,850
Travel, meetings, and conferences	6,574	2,191	-	8,765
Printing and postage	2,587	862	862	4,311
Professional services	-	2,208	-	2,208
Total expenses	<u>\$ 1,714,655</u>	<u>\$ 190,069</u>	<u>\$ 333,224</u>	<u>\$ 2,237,948</u>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**  
Statement of Functional Expenses  
Year Ended December 31, 2011

	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 307,077	\$ 109,834	\$ 111,948	\$ 528,859
Program donated services	384,425	-	-	384,425
Program food and lodging	244,016	-	-	244,016
Outreach	267,215	-	-	267,215
Fund-raising expense	-	-	129,195	129,195
Equipment and uniforms	141,993	-	-	141,993
Other program expenses	112,249	-	-	112,249
Benefits	69,935	25,014	25,496	120,445
Special events	35,467	-	79,729	115,196
Program awards and recognition	69,851	-	-	69,851
Program facilities	26,419	-	-	26,419
Rent	24,306	6,898	6,898	38,102
Office supplies and expenses	21,336	2,762	3,520	27,618
Chapter assessment fees	21,569	-	-	21,569
Other expenses	8,492	5,663	-	14,155
Telephone	12,184	4,874	7,311	24,369
Insurance	12,274	1,364	-	13,638
Accounting services	-	12,840	-	12,840
Depreciation	8,598	2,724	2,724	14,046
Travel, meetings, and conferences	6,130	2,044	-	8,174
Printing and postage	2,466	822	822	4,110
Professional services	-	2,298	-	2,298
Total expenses	<u>\$ 1,776,002</u>	<u>\$ 177,137</u>	<u>\$ 367,643</u>	<u>\$ 2,320,782</u>

See accompanying notes to financial statements.



**Special Olympics New Mexico, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 45,664	\$ (3,298)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	10,850	14,046
(Gain) / loss on endowment fund	(4,837)	1,729
Loss on investments	1,256	812
Loss on disposal of property and equipment	-	583
Changes in operating assets and liabilities:		
Accounts receivable	(34,651)	(1,218)
Inventory	(760)	157
Prepaid expenses	20	7,689
Accounts payable	2,118	13,338
Accrued liabilities	(4,280)	72
Deferred revenue	(14,877)	14,127
Contributions restricted for long-term purposes		
Permanently restricted contributions	(525)	(1,031)
Cash (used) provided by operating activities	<u>(22)</u>	<u>47,006</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(50,856)	(51,826)
Proceeds on sale of investments	13,733	16,724
Reinvested investment income	(1,722)	(2,284)
Cash used by investing activities	<u>(38,845)</u>	<u>(37,386)</u>
<b>Cash flows from financing activities</b>		
Principal payments on capital lease obligation	(4,482)	(5,669)
Collections of contributions for long-term purposes	525	1,031
Cash used by financing activities	<u>(3,957)</u>	<u>(4,638)</u>
Change in cash	(42,824)	4,982
Cash, beginning of year	<u>437,249</u>	<u>432,267</u>
Cash, end of year	<u>\$ 394,425</u>	<u>\$ 437,249</u>
<b>Supplemental disclosure</b>		
Interest paid	\$ 1,297	\$ 1,079
Noncash investing transactions		
Capital lease equipment trade in		\$ 11,562
Capital lease obligation incurred for equipment		\$ 24,802

See accompanying notes to financial statements.

## Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2012 and 2011

### NOTE A – NATURE OF ACTIVITIES

Special Olympics New Mexico, Inc. (SONM) was incorporated on September 6, 1977 for the purpose of providing year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities. The ultimate goal is to help persons with intellectual disabilities participate as productive and respected members of society at large, by offering them a fair opportunity to develop and demonstrate their skills and talents thru sports training and competition, thereby increasing the public's awareness of their capabilities and needs.

The obvious benefits of participating in sport result in health promotion, disease reduction, personal growth and character development, but unlike other sports organizations, Special Olympics impacts our communities by solving social problems associated with intolerance, stigma, and injustice. To its volunteers, community partners, schools, and all who walk onto our playing fields – engaging with Special Olympics athletes is a transformative educational experience. How we relate to each other and value each other's differences serves as a true measure of the "well-being" of our communities. Special Olympics is a force teaching acceptance, respect, and unity through the power of sport.

In 2012, SONM offered its athletes 59 competition opportunities, including five State Competitions and two Regional Competitions. The State Summer Games, the largest event, includes competition in track and field, rhythmic and artistic gymnastics, cycling, unified volleyball, bocce and unified bocce. These Games are held in Albuquerque at the University of New Mexico. The Four Corners Invitational which takes place in Farmington includes competition in golf, soccer, and unified softball. The State Equestrian Competition is held on the Curry County Fairgrounds in Clovis. SONM's Holiday Classic takes place in Las Cruces and Albuquerque. Basketball is played at the University of New Mexico and bowling is held regionally at Santa Ana Star Light Lanes in Bernalillo the Ten Pin Alley in Las Cruces. Poly Hockey (hockey without ice) is held at McGee Park in Farmington. On a side note, SONM's Unified Sports partners Special Olympics athletes with nondisabled athletes, who train and compete together on the same team. This program promotes social inclusion and brings to its nondisabled athletes a pure form of sport which emphasizes the opportunity to play and do ones best rather than win and be the best. SONM had 1172 unified sports participants compete in 2012.

At two of the State Competitions, SONM offers its Healthy Athlete Initiative, designed to help Special Olympics athletes improve their health and fitness. Athletes receive health screenings from volunteer health professionals. These include dentistry, optometry, audiology, physical therapy, and podiatry. Healthy Athletes provides much-needed training to health care professionals about the special needs of patients with intellectual disabilities and serves to educate the public and policy makers about the unique health care needs of Special Olympics athletes. Through better health and fitness, each athlete's ability to train and compete is improved. In 2012, with the help of over 320 volunteers, 768 Special Olympics athletes were screened and over 360 athletes were given prescription glasses, sports goggles, and sun glasses at no cost to those athletes or their families.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2012 and 2011

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Date of Management Review

SONM has evaluated subsequent events through March 21, 2013, which is the date the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in these financial statements. Management believes that no material subsequent events have arisen that would require additional disclosure or accrual.

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. SONM 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.

The statements of activities reflect the two operating segments of SONM. Chapter is the overall administrative body of SONM. Chapter facilitates all statewide activities and state competitions. Area and Local consists of the six geographic locations throughout the state of New Mexico. Area and Local host the regional and community programs and competitions.

Revenues, Gains, and Other Support

In order to support its various programs, SONM generates its revenue and support through a variety of sources. The primary source of support is gifts and bequests from individuals and corporations. Corporations and individuals may also contribute funds to sponsor specific events offered by SONM. SONM also generates revenue and support through telemarketing contracts and from a State of New Mexico grant. Additionally, SONM hosts various special events.

SONM reports contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the absence or existence and nature of any donor restrictions. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as unrestricted.

Donated materials and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. The total of donated materials and noncash donations were \$354,462 in 2012 and \$377,347 in 2011.

Donated services are recognized as contributions if the donated services create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would otherwise be purchased by SONM. SONM recognized \$297,341 in 2012 and \$377,249 in 2011 for services provided by certified coaches and officials.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized by function based on evaluation of the related benefit by management. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Special Olympics New Mexico, Inc.**

Notes to Financial Statements

December 31, 2012 and 2011

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable

Accounts receivable are for grants, contracts and contributions. Accounts receivable are considered to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be written off and charged to bad debt expense. SONM considers all receivables over 90 days to be past due. Receivables over 90 days were \$0 at December 31, 2012 and 2011. There was no bad debt expense in 2012 or 2011.

Investments

Investments consist of money market funds, certificates of deposit, government securities and corporate securities and are reported at fair values based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Investment gains and losses are included in the statements of activities.

Inventory

Inventories consist of souvenir goods to be sold at events. Inventories are valued at the lower of cost or market determined on the average cost method.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment that are to be used by SONM are capitalized at their fair market value on the date of the gift. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. All purchased or donated property and equipment in excess of \$500 are capitalized.

Deferred Revenue

SONM receives revenue for special events which will occur in a future year and are recorded as deferred revenue.

Income Taxes

SONM is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as “other than a private foundation.”

SONM’s income tax filings are subject to audit by various taxing authorities. SONM’s open audit periods are 2009 to 2012. SONM believes it has appropriate support for any tax position taken and as such, SONM has not recognized any changes to the financial statements for uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures. Accordingly, actual results could differ from those estimates.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2012 and 2011

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Advertising

SONM expenses advertising costs as incurred. For 2012 and 2011, advertising expense was \$226,298 and \$217,730, respectively, including donated advertising of \$207,196 and \$200,888, respectively.

Reclassifications

Certain reclassifications have been made to the 2011 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**NOTE C – ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2012 and 2011 consist of the following:

	2012	2011
Other	\$ 32,759	\$ 4,169
Telemarketing revenue	7,284	1,223
	<u>\$ 40,043</u>	<u>\$ 5,392</u>

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2012 and 2011 consist of:

	2012	2011
Office equipment and software	\$ 159,215	\$ 159,215
Program equipment	124,847	124,847
	284,062	284,062
Less accumulated depreciation	258,586	247,736
	<u>\$ 25,476</u>	<u>\$ 36,326</u>

Depreciation expense was \$10,850 and \$14,046 for the years ended December 31, 2012 and 2011, respectively.

**NOTE E – PENSION PLAN**

SONM has a defined contribution 403(b) Plan that covers all eligible employees of SONM. Participating employees are eligible to contribute a percentage of their salary to the Plan. SONM contributes up to three percent matching contribution of participating employees' salary to the Plan. Pension expense was \$12,319 and \$13,405 for the years ended December 31, 2012 and 2011, respectively.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2012 and 2011

**NOTE F – INVESTMENTS**

Investments are stated at fair value at year end and consist of:

<u><b>December 31, 2012</b></u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Money market funds	\$ 429,892	\$ 429,892	\$ -
Certificates of deposit	60,000	60,000	-
Government securities	25,198	25,820	622
Corporate securities	87	471	384
	<u>\$ 515,177</u>	<u>\$ 516,183</u>	<u>\$ 1,006</u>

  

<u><b>December 31, 2011</b></u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Money market funds	\$ 377,902	\$ 377,902	\$ -
Certificates of deposit	60,000	60,000	-
Government securities	39,651	40,793	1,142
Corporate securities	87	441	354
	<u>\$ 477,640</u>	<u>\$ 479,136</u>	<u>\$ 1,496</u>

The following summarizes the investment income for the years ended December 31, 2012 and 2011 in the statements of activities. The investment income includes income from investments, certificates of deposit and the endowment fund.

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 3,161	\$ 3,735
Net realized and unrealized gains (loss)	3,581	(2,541)
	6,742	1,194
Less investment fees	(696)	(592)
	<u>\$ 6,046</u>	<u>\$ 602</u>

**NOTE G – ENDOWMENT FUND INVESTMENTS AND SPENDING POLICY**

SONM's endowment funds are held by the Albuquerque Community Foundation as a part of its pooled investments. Variance power has been granted to the Albuquerque Community Foundation. These assets will be returned to SONM if the Albuquerque Community Foundation ceases to be a charitable organization. These investments are stated at fair market value.

Annual distributions can be made pursuant to current Albuquerque Community Foundation policy. Current policy states that distributions will be based on 4% of the average twelve quarters' fund balance if requested by SONM. There were no distributions for 2012 or 2011.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2012 and 2011

**NOTE G – ENDOWMENT FUND INVESTMENTS AND SPENDING POLICY (continued)**

Endowment net asset composition at year end by type of fund is as follows:

<u><b>December 31, 2012</b></u>	Unrestricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	19,464	-
Total funds	<u>\$ 19,464</u>	<u>\$ 42,650</u>

<u><b>December 31, 2011</b></u>	Unrestricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ 42,125
Unrestricted funds	14,610	-
Total funds	<u>\$ 14,610</u>	<u>\$ 42,125</u>

Changes in endowment net assets for the years ended are as follows:

<u><b>December 31, 2012</b></u>	Unrestricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	\$ 14,610	\$ 42,125	\$ 56,735
Contributions	-	525	525
Investment income	5,455	-	5,455
Investment fees	(601)	-	(601)
Endowment net assets, end of year	<u>\$ 19,464</u>	<u>\$ 42,650</u>	<u>\$ 62,114</u>

<u><b>December 31, 2011</b></u>	Unrestricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	\$ 15,789	\$ 41,094	\$ 56,883
Contributions	-	1,031	1,031
Investment loss	(587)	-	(587)
Investment fees	(592)	-	(592)
Endowment net assets, end of year	<u>\$ 14,610</u>	<u>\$ 42,125</u>	<u>\$ 56,735</u>

**NOTE H – FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820-10, *Fair Value Measurements and Disclosures*, SONM has categorized its investments that are reported at fair value into a three-level hierarchy based on the priority of the inputs to the valuation techniques.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2012 and 2011

**NOTE H – FAIR VALUE MEASUREMENTS (continued)**

The following table summarizes the assets of SONM measured at fair value on a recurring basis at year end:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
<b><u>December 31, 2012</u></b>			
Money market funds	\$ 429,892	\$ 429,892	\$ -
Certificates of deposit	60,000	60,000	-
Government securities	25,820	25,820	-
Corporate securities	471	471	-
Endowment funds	62,114	-	62,114
	<u>\$ 578,297</u>	<u>\$ 516,183</u>	<u>\$ 62,114</u>
<b><u>December 31, 2011</u></b>			
Money market funds	\$ 377,902	\$ 377,902	\$ -
Certificates of deposit	60,000	60,000	-
Government securities	40,793	40,793	-
Corporate securities	441	441	-
Endowment funds	56,735	-	56,735
	<u>\$ 535,871</u>	<u>\$ 479,136</u>	<u>\$ 56,735</u>

The estimated fair value of the investments in the Organization's endowment funds were based on the fair values of the underlying assets as reported by the organizations holding the funds. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used during 2012.

The inputs used for valuation of the assets in corporate stocks (public), U.S. government securities, corporate bonds, municipal bonds, money market funds and certificates of deposits are based on quoted net asset values of the shares held by SONM and the Albuquerque Community Foundation at year end.

The inputs used for the other underlying assets held by Albuquerque Community Foundation such as closely held business stocks and land were based on market prices on similar assets in inactive markets and inputs that are observed or corroborated primarily from observable market data through correlation or other appropriate methods. The inputs used for the valuation of limited partnerships is determined at the close of business at the end of any fiscal period. The community foundations allocate a pro-rata share of the income and expenses of a partnership on a monthly basis. Many of the underlying investments of the partnership, if owned directly by the partnership, would be classified as Level 1.



**Special Olympics New Mexico, Inc.**

Notes to Financial Statements

December 31, 2012 and 2011

**NOTE I – CAPITAL LEASE OBLIGATION**

SONM's property under capital lease is \$24,290 in 2012 and 2011 and is included in office equipment and software net of the accumulated depreciation of \$7,440 in 2012 and \$2,480 in 2011. Amortization expense for years ended December 31, 2012 and 2011 was \$4,960 and \$2,480, respectively.

Capital lease obligation at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Capital lease obligation to finance company, payable in monthly installments of \$482, including interest at 6.18%, due July 2016	\$ 18,532	\$ 23,014

Maturities of the capital lease obligation as per the new lease agreement are as follows: 2013 - \$4,767; 2014 - \$5,070; 2015 - \$5,393; and 2016 - \$3,302.

**NOTE J – UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Chapter	\$ 574,953	\$ 528,361
Area/Local	371,330	372,783
	<u>\$ 946,283</u>	<u>\$ 901,144</u>

The Board of Directors has created a board designated fund which sets aside a percentage of unrestricted revenues. The board designated funds are reserved in anticipation of future liabilities or unexpected events. The board designated funds at December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Investments	\$ 456,183	\$ 419,136

**NOTE K – COMMITMENTS AND CONTINGENCIES**

SONM leased office space under an operating lease. Lease expense on the office space was \$29,820 for 2012 and 2011. The lease expired December 31, 2010, and they are now renting their office space on a month-to-month basis.

**NOTE L – RELATED PARTY TRANSACTIONS**

SONM is accredited by Special Olympics International, Inc. (SOI) to conduct sports training and competition activities within New Mexico. SONM made payments to SOI of \$21,996 and \$21,569 for 2012 and 2011, respectively, for program support and assessments.

SONM has a direct mail fund-raising agreement with SOI in which SOI does the direct mail fund-raising and SONM shares the proceeds with SOI. SONM received income from this agreement for years ended December 31, 2012 and 2011 of \$76,927 and \$75,676, respectively.

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Notes to Financial Statements

December 31, 2012 and 2011

**NOTE M – DIRECT MARKETING CONTRIBUTIONS**

SONM contracts with a professional marketing agency to conduct direct marketing campaigns, including direct mail and telemarketing, to raise funds and increase public knowledge and awareness of SONM's mission and activities. The campaign resulted in contributions of \$207,427 and \$225,584 for the years ended December 31, 2012 and 2011, respectively. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$137,427 and \$157,118, to the professional marketing agency in 2012 and 2011, respectively. The majority of the effort by the telemarketing contractor is to raise awareness about SONM, encourage volunteer participation, and seek out potential athletes. On the statements of functional expenses, the joint costs allocated to program expenses are \$75,585 in 2012 and \$86,415 in 2011. Joint costs allocated to fund-raising expenses are \$61,842 in 2012 and \$70,703 in 2011.

**NOTE N – CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject SONM to concentration consist principally of cash and investments. SONM places its investments with financial institutions and investment brokerage firms. Investments with financial institutions are federally insured and investments held by investment brokerage firms are insured by the brokerage firm. At December 31, 2012 and 2011, SONM's uninsured cash balances totaled \$190,802 and \$155,936, respectively.

Approximately thirteen percent (13%) of the SONM's revenue is generated by state grants in 2012 and 2011. A decrease in funding from these grants might affect SONM's operations.