

SPECIAL OLYMPICS NEW MEXICO, INC.

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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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 statements of financial position of Special Olympics New Mexico, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2010 were audited by Broderick & Company, LLC, who merged with Phillippi, Wright & Company, LLC, as of August 1, 2011 and whose report dated March 25, 2011, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics New Mexico, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Broderick, Phillippi, Wright & Comunas, LLC

Broderick, Phillippi, Wright & Comunas, LLC
March 20, 2012

Special Olympics New Mexico, Inc.
Statements of Financial Position
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 437,249	\$ 432,267
Accounts receivable	5,392	4,174
Inventory	2,791	2,948
Prepaid expenses	6,058	13,747
Investments	479,136	444,143
Property and equipment	36,326	37,715
Endowment funds	56,735	56,883
	<u>56,735</u>	<u>56,883</u>
TOTAL ASSETS	<u><u>\$ 1,023,687</u></u>	<u><u>\$ 991,877</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 20,252	\$ 6,914
Accrued liabilities	9,025	8,953
Deferred revenue	28,127	14,000
Capital lease obligation	23,014	15,443
	<u>23,014</u>	<u>15,443</u>
TOTAL LIABILITIES	<u>80,418</u>	<u>45,310</u>
NET ASSETS		
Unrestricted	901,144	905,473
Permanently restricted	42,125	41,094
	<u>42,125</u>	<u>41,094</u>
TOTAL NET ASSETS	<u>943,269</u>	<u>946,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,023,687</u></u>	<u><u>\$ 991,877</u></u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statement of Activities
Year ended December 31, 2011

	<u>Unrestricted</u>			<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	
Revenues, gains, and other support				
Contributions	\$ 894,606	\$ 278,174	\$ 1,031	\$ 1,173,811
Direct marketing revenue	301,588	-	-	301,588
Special events	280,266	45,433	-	325,699
State contract	295,000	-	-	295,000
Program sponsor and registration	220,784	-	-	220,784
Investment income	41	561	-	602
	<u>1,992,285</u>	<u>324,168</u>	<u>1,031</u>	<u>2,317,484</u>
Expenses				
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
Total program services	<u>1,487,441</u>	<u>288,561</u>	<u>-</u>	<u>1,776,002</u>
Management and general	177,137	-	-	177,137
Fund-raising	<u>365,479</u>	<u>2,164</u>	<u>-</u>	<u>367,643</u>
	<u>2,030,057</u>	<u>290,725</u>	<u>-</u>	<u>2,320,782</u>
Changes in net assets	(37,772)	33,443	1,031	(3,298)
Net assets, beginning of year	<u>566,133</u>	<u>339,340</u>	<u>41,094</u>	<u>946,567</u>
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 Activities
Year ended December 31, 2010

	<u>Unrestricted</u>			<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	
Revenues, gains, and other support				
Contributions	\$ 928,019	\$ 243,600	\$ 1,500	\$ 1,173,119
Direct marketing revenue	322,209	-	-	322,209
Special events	233,218	73,088	-	306,306
State contract	291,250	-	-	291,250
Program sponsor and registration	276,481	-	-	276,481
Investment income	7,362	801	-	8,163
Total revenues, gains, and other support	2,058,539	317,489	1,500	2,377,528
Expenses				
Program services				
Sporting events and games	775,399	145,553	-	920,952
Sports training	465,240	87,332	-	552,572
Public education activities	310,160	58,221	-	368,381
Total program services	1,550,799	291,106	-	1,841,905
Management and general	176,179	363	-	176,542
Fund-raising	329,022	1,710	-	330,732
Total expenses	2,056,000	293,179	-	2,349,179
Changes in net assets	2,539	24,310	1,500	28,349
Net assets, beginning of year	563,594	315,030	39,594	918,218
Net assets, end of year	<u>\$ 566,133</u>	<u>\$ 339,340</u>	<u>\$ 41,094</u>	<u>\$ 946,567</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Statement of Functional Expenses

Year Ended December 31, 2011

2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 307,077	\$ 109,834	\$ 111,948	\$ 528,859
Program donated services	384,425	-	-	384,425
Outreach	267,215	-	-	267,215
Program food and lodging	244,016	-	-	244,016
Equipment and uniforms	141,993	-	-	141,993
Fund-raising expense	-	-	129,195	129,195
Benefits	69,935	25,014	25,496	120,445
Special events	35,467	-	79,729	115,196
Other program expenses	112,249	-	-	112,249
Program awards and recognition	69,851	-	-	69,851
Rent	24,306	6,898	6,898	38,102
Office supplies and expenses	21,336	2,762	3,520	27,618
Program facilities	26,419	-	-	26,419
Telephone	12,184	4,874	7,311	24,369
Chapter assessment fees	21,569	-	-	21,569
Other expenses	8,492	5,663	-	14,155
Depreciation	8,598	2,724	2,724	14,046
Insurance	12,274	1,364	-	13,638
Accounting services	-	12,840	-	12,840
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.
Statement of Functional Expenses
Year Ended December 31, 2010

2010

	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 294,169	\$ 109,322	\$ 116,218	\$ 519,709
Program donated services	511,586	-	-	511,586
Outreach	180,921	-	-	180,921
Program food and lodging	323,646	-	-	323,646
Equipment and uniforms	129,503	-	-	129,503
Fund-raising expense	-	-	124,348	124,348
Benefits	68,184	25,339	26,937	120,460
Special events	54,394	-	39,147	93,541
Other program expenses	81,113	-	-	81,113
Program awards and recognition	49,533	-	-	49,533
Rent	22,478	6,480	6,480	35,438
Office supplies and expenses	16,788	2,165	2,703	21,656
Program facilities	32,012	-	-	32,012
Telephone	13,034	5,214	7,821	26,069
Chapter assessment fees	22,310	-	-	22,310
Other expenses	8,991	5,994	-	14,985
Depreciation	13,469	4,490	4,490	22,449
Insurance	12,011	1,335	-	13,346
Accounting services	-	12,795	-	12,795
Travel, meetings, and conferences	4,399	-	1,467	5,866
Printing and postage	3,364	1,121	1,121	5,606
Professional services	-	2,287	-	2,287
Total expenses	\$ 1,841,905	\$ 176,542	\$ 330,732	\$ 2,349,179

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (3,298)	\$ 28,349
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,046	22,449
(Gain) / loss on endowment fund	1,729	(4,634)
Loss on investments	812	1,231
Loss on disposal of asset	583	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,218)	80,597
Inventory	157	(1,194)
Prepaid expenses	7,689	(7,176)
Accounts payable	13,338	(14,924)
Accrued liabilities	72	(1,476)
Deferred revenue	14,127	(7,100)
Contributions restricted for long-term purposes		
Permanently restricted contributions	(1,031)	(1,500)
Cash provided by operating activities	<u>47,006</u>	<u>94,622</u>
Cash flows from investing activities		
Purchase of investments	(51,826)	(58,336)
Proceeds on sale of investments	16,724	21,625
Reinvested investment income	(2,284)	(3,837)
Purchases of property and equipment	-	(11,791)
Cash used by investing activities	<u>(37,386)</u>	<u>(52,339)</u>
Cash flows from financing activities		
Principal payments on capital lease obligation	(5,669)	(4,717)
Collections of contributions for long term purposes	1,031	1,500
Cash used by financing activities	<u>(4,638)</u>	<u>(3,217)</u>
Change in cash	4,982	39,066
Cash, beginning of year	432,267	393,201
Cash, end of year	<u>\$ 437,249</u>	<u>\$ 432,267</u>
Supplemental disclosure		
Interest paid	\$ 1,079	\$ 865
Noncash investing transactions		
Capital lease equipment trade in	\$ 11,562	
Capital lease obligation incurred for use of equipment	\$ 24,802	

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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 people 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 benefits of participating in sports result in health promotion, disease reduction, personal growth and character development. Unlike other sports organizations, Special Olympics impacts our communities by dealing with social problems associated with intolerance, stigma, and injustice. For the 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 teaches acceptance, respect, and unity through the power of sport.

In 2011, SONM offered its athletes 61 competitive opportunities, including five State 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 on the campus of New Mexico State University and bowling is held at the Ten Pin Alley in Las Cruces to accommodate the bowlers in southern New Mexico. Bowling competition also happens in Bernalillo at the Santa Ana Starlight Lanes to accommodate the tremendous increase in numbers of bowlers in the northern half of our state. Poly Hockey (hockey without ice) is held at McGee Park in Farmington. 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 one's best rather than win and be the best. SONM had 251 unified sports teams compete in 2011.

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 healthcare needs of Special Olympics athletes. Through better health and fitness, each athlete's ability to train and compete is improved. In 2011, over 670 Special Olympics athletes were screened and over 150 athletes were provided prescription glasses, sports goggles, and sunglasses at no cost to those athletes or their families.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

SONM has evaluated subsequent events through March 20, 2012, which is the date the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended December 31, 2011. 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 hosts 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 \$377,347 in 2011 and \$260,930 in 2010.

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 \$377,249 in 2011 and \$511,586 in 2010 for services provided by certified coaches and officials.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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, 2011 and 2010. There was no bad debt expense in 2011 or 2010.

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 statement of financial position. Investment gains and losses are included in the statement 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

Property and equipment are stated at cost. Donated assets 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 acquisitions of property and equipment in excess of \$2,500 are capitalized.

Deferred Revenue

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

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.

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 2008 to 2011. 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.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Advertising

SONM expenses advertising costs as incurred. For 2011 and 2010, advertising expense was \$217,730 and \$114,964, respectively, including donated advertising of \$200,888 and \$98,080, respectively.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2011 and 2010 consist of the following:

	2011	2010
Other	\$ 4,169	\$ 2,530
Telemarketing revenue	1,223	1,644
	<u>\$ 5,392</u>	<u>\$ 4,174</u>

NOTE D - INVESTMENTS

Investments are stated at fair value and consist of:

	Cost	Fair Value	Unrealized Gain
<u>December 31, 2011</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>

	Cost	Fair Value	Unrealized Gain
<u>December 31, 2010</u>			
Money market funds	\$ 325,373	\$ 325,373	\$ -
Certificates of deposit	60,000	60,000	-
Government securities	57,331	58,541	1,210
Corporate securities	54	229	175
	<u>\$ 442,758</u>	<u>\$ 444,143</u>	<u>\$ 1,385</u>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

NOTE D - INVESTMENTS - continued

The following summarizes the investment income for the years ended December 31, 2011 and 2010 in the statement of activities. The investment income includes income from investments and the endowment funds.

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 3,735	\$ 5,332
Net realized and unrealized gains	<u>(2,541)</u>	<u>3,403</u>
	1,194	8,735
Less investment fees	<u>(592)</u>	<u>(572)</u>
	<u>\$ 602</u>	<u>\$ 8,163</u>

NOTE E - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. SONM uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, SONM measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. SONM had no Level 3 inputs at December 31, 2011 and 2010.

SONM's investments are reported at fair value in the accompanying statements of financial position.

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
<u>December 31, 2011</u>			
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>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

NOTE E - FAIR VALUE MEASUREMENTS - continued

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)		Significant Observable Inputs (Level 2)
<u>December 31, 2010</u>				
Money market funds	\$ 325,373	\$ 325,373	\$ -	-
Certificates of deposit	60,000	60,000	-	-
Government securities	58,541	58,541	-	-
Corporate securities	229	229	-	-
Endowment funds	56,883	-	56,883	-
	<u>\$ 501,026</u>	<u>\$ 444,143</u>	<u>\$ 56,883</u>	

Level 1 Fair Value Measurements

The fair value of money market funds, certificates of deposit, government securities and corporate securities is based on quoted net asset values of the shares held by SONM at year-end.

Level 2 Fair Value Measurements

Endowment fund investments use market prices on similar assets in active markets and inputs that are observed or corroborated primarily from observable market data through correlation or other appropriate methods.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 consist of:

	2011	2010
Office equipment and software	\$ 159,215	\$ 158,703
Program equipment	124,847	124,847
	<u>284,062</u>	<u>283,550</u>
Less accumulated depreciation	247,736	245,835
	<u>\$ 36,326</u>	<u>\$ 37,715</u>

Depreciation expense was \$14,046 and \$22,449 for the years ended December 31, 2011 and 2010, respectively.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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 5% of the average twelve quarters' fund balance if requested by SONM. There were no distributions for 2011 and 2010.

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

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

<u>December 31, 2010</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ 41,094
Unrestricted funds	15,789	-
Total funds	<u>\$ 15,789</u>	<u>\$ 41,094</u>

Changes in endowment net assets are as follows:

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

<u>December 31, 2010</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 10,923	\$ 39,594	\$ 50,517
Contributions	-	1,500	1,500
Investment income	5,438	-	5,438
Investment fees	(572)	-	(572)
Endowment net assets, end of year	<u>\$ 15,789</u>	<u>\$ 41,094</u>	<u>\$ 56,883</u>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

NOTE H - CAPITAL LEASE OBLIGATION

SONM's property under capital lease is \$24,802 in 2011 and \$24,290 in 2010 and is included in office equipment and software net of the accumulated depreciation of \$2,480 in 2011 and \$9,716 in 2010.

Capital lease obligation at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Capital lease obligation to finance company, payable in monthly installments of \$482, including interest at 6.18%, due July 2016	\$ 23,014	\$ -
Capital lease obligation to finance company, payable in monthly installments of \$465, including interest at 4.80%	-	15,443
	<u>\$ 23,014</u>	<u>\$ 15,443</u>

Maturities of the capital lease obligation as per the new lease agreement are as follows: 2012 - \$4,482; 2013 - \$4,767; 2014 - \$5,070; 2015 - \$5,393; and 2016 - \$3,302.

NOTE I - UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2011 and 2010 consist of:

	<u>2011</u>	<u>2010</u>
Chapter	\$ 528,361	\$ 566,153
Area/Local	372,783	339,340
	<u>\$ 901,144</u>	<u>\$ 905,493</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, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Investments	\$ 419,136	\$ 383,958

NOTE J - COMMITMENTS AND CONTINGENCIES

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

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

NOTE K - 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 \$225,584 and \$245,570 for the years ended December 31, 2011 and 2010, respectively. These contributions are included in direct marketing revenues on the Statements of Activities. SONM incurred costs of \$157,118 and \$168,453 to the professional marketing agency in 2011 and 2010, 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 Statement of Functional Expenses, the joint costs allocated to program expenses are \$86,415 in 2011 and \$92,649 in 2010. Joint costs allocated to fundraising expenses are \$70,703 in 2011 and \$75,804 in 2010.

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 \$21,569 and \$22,310 for 2011 and 2010, respectively, for program support and assessments.

SONM has a direct mail fundraising agreement with SOI in which SOI does the direct mail fundraising and SONM shares the proceeds with SOI. SONM received income from this agreement for years ended December 31, 2011 and 2010 of \$75,676 and \$76,336, respectively.

NOTE M - 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 \$12,642 and \$13,405 for the years ended December 31, 2011 and 2010, respectively.

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, 2011 and 2010, SONM's uninsured cash balances totaled \$155,936 and \$120,676, respectively.