

SPECIAL OLYMPICS NEW MEXICO, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4-5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-16

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, 2013 and 2012 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, 2013 and 2012, 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 25, 2014

Special Olympics New Mexico, Inc.
 Statements of Financial Position
 December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 344,481	\$ 394,425
Accounts receivable	51,691	40,043
Inventory	3,085	3,551
Prepaid expenses	10,489	6,038
Investments	528,445	516,183
Property and equipment	19,807	25,476
Endowment funds	67,116	62,114
TOTAL ASSETS	\$ 1,025,114	\$ 1,047,830
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 7,298	\$ 22,370
Accrued liabilities	8,369	4,745
Deferred revenue	21,458	13,250
Capital lease obligation	13,765	18,532
TOTAL LIABILITIES	50,890	58,897
NET ASSETS		
Unrestricted	931,574	946,283
Permanently restricted	42,650	42,650
TOTAL NET ASSETS	974,224	988,933
TOTAL LIABILITIES AND NET ASSETS	\$ 1,025,114	\$ 1,047,830

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statement of Activities
Year ended December 31, 2013

	<u>Unrestricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>		
Revenues, gains, and other support				
Contributions	\$ 988,020	\$ 252,259	\$ -	\$ 1,240,279
Special events	339,770	29,706	-	369,476
State contract	295,000	-	-	295,000
Direct marketing revenue	284,229	-	-	284,229
Program sponsor and registration	240,312	-	-	240,312
Other income	33,230	-	-	33,230
Investment income	5,435	539	-	5,974
	<u>2,185,996</u>	<u>282,504</u>	<u>-</u>	<u>2,468,500</u>
Expenses				
Program services				
Sporting events and games	824,654	152,589	-	977,243
Sports training	494,792	91,554	-	586,346
Public education activities	329,862	61,036	-	390,898
Total program services	<u>1,649,308</u>	<u>305,179</u>	<u>-</u>	<u>1,954,487</u>
Management and general	199,810	-	-	199,810
Fund-raising	325,016	3,896	-	328,912
	<u>2,174,134</u>	<u>309,075</u>	<u>-</u>	<u>2,483,209</u>
Change in net assets	11,862	(26,571)	-	(14,709)
Net assets, beginning of year	<u>574,953</u>	<u>371,330</u>	<u>42,650</u>	<u>988,933</u>
Net assets, end of year	<u>\$ 586,815</u>	<u>\$ 344,759</u>	<u>\$ 42,650</u>	<u>\$ 974,224</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statement of Activities
Year ended December 31, 2012

	<u>Unrestricted</u>			<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	
Revenues, gains, and other support				
Contributions	\$ 810,284	\$ 259,433	\$ 525	\$ 1,070,242
Special events	344,972	49,227	-	394,199
State contract	295,000	-	-	295,000
Direct marketing revenue	284,735	-	-	284,735
Program sponsor and registration	233,390	-	-	233,390
Investment income	5,328	718	-	6,046
Total revenues, gains, and other support	1,973,709	309,378	525	2,283,612
Expenses				
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	1,404,889	309,766	-	1,714,655
Management and general	190,069	-	-	190,069
Fund-raising	332,159	1,065	-	333,224
Total expenses	1,927,117	310,831	-	2,237,948
Change in net assets	46,592	(1,453)	525	45,664
Net assets, beginning of year	528,361	372,783	42,125	943,269
Net assets, end of year	<u>\$ 574,953</u>	<u>\$ 371,330</u>	<u>\$ 42,650</u>	<u>\$ 988,933</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statement of Functional Expenses
Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 318,935	\$ 132,002	\$ 86,070	\$ 537,007
Program donated services	474,901	-	-	474,901
Program food and lodging	322,046	-	-	322,046
Outreach	255,493	-	-	255,493
Fund-raising expense	-	-	128,312	128,312
Equipment and uniforms	121,697	-	-	121,697
Benefits	71,139	29,443	19,198	119,780
Special events	36,964	-	77,760	114,724
Other program expenses	105,511	-	-	105,511
Program awards and recognition	100,283	-	-	100,283
Rent	24,110	6,454	6,454	37,018
Office supplies and expenses	26,313	3,369	4,012	33,694
Program facilities	29,421	-	-	29,421
Chapter assessment fees	23,009	-	-	23,009
Telephone	7,502	3,001	4,501	15,004
Insurance	12,688	1,410	-	14,098
Accounting services	-	12,573	-	12,573
Travel, meetings, and conferences	9,794	2,448	-	12,242
Other expenses	6,441	4,294	-	10,735
Depreciation	5,701	1,757	1,757	9,215
Printing and postage	2,539	848	848	4,235
Professional services	-	2,211	-	2,211
Total expenses	<u>\$ 1,954,487</u>	<u>\$ 199,810</u>	<u>\$ 328,912</u>	<u>\$ 2,483,209</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
Benefits	70,709	27,847	20,665	119,221
Special events	31,205	-	72,812	104,017
Other program expenses	122,467	-	-	122,467
Program awards and recognition	57,944	-	-	57,944
Rent	23,523	6,454	6,454	36,431
Office supplies and expenses	23,880	3,065	3,710	30,655
Program facilities	44,368	-	-	44,368
Chapter assessment fees	21,996	-	-	21,996
Telephone	7,385	2,954	4,431	14,770
Insurance	12,453	1,384	-	13,837
Accounting services	-	12,305	-	12,305
Travel, meetings, and conferences	6,574	2,191	-	8,765
Other expenses	11,003	7,335	-	18,338
Depreciation	6,682	2,084	2,084	10,850
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.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (14,709)	\$ 45,664
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	9,215	10,850
Gain on endowment fund	(4,603)	(4,837)
Loss on investments	679	1,256
Changes in operating assets and liabilities:		
Accounts receivable	(11,648)	(34,651)
Inventory	466	(760)
Prepaid expenses	(4,451)	20
Accounts payable	(15,072)	2,118
Accrued liabilities	3,624	(4,280)
Deferred revenue	8,208	(14,877)
Contributions restricted for long-term purposes		
Permanently restricted contributions	-	(525)
Cash used by operating activities	<u>(28,291)</u>	<u>(22)</u>
Cash flows from investing activities		
Purchase of property and equipment	(3,546)	-
Purchase of investments	(31,838)	(50,856)
Proceeds on sale of investments	20,000	13,733
Reinvested investment income	(1,502)	(1,722)
Cash used by investing activities	<u>(16,886)</u>	<u>(38,845)</u>
Cash flows from financing activities		
Principal payments on capital lease obligation	(4,767)	(4,482)
Collections of contributions for long-term purposes	-	525
Cash used by financing activities	<u>(4,767)</u>	<u>(3,957)</u>
Change in cash	(49,944)	(42,824)
Cash, beginning of year	<u>394,425</u>	<u>437,249</u>
Cash, end of year	<u>\$ 344,481</u>	<u>\$ 394,425</u>
Supplemental disclosure		
Interest paid	\$ 1,012	\$ 1,297

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

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 2013, SONM offered its athletes 62 competition opportunities, including six State Competitions and two Regional Competitions. The State Summer Games, the largest event, includes competition in track and field, bocce, unified bocce, unified volleyball, and soccer. 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, aquatics, unified softball, and unified flag football. The State Equestrian Competition is held on the Curry County Fairgrounds in Clovis. SONM's Holiday Classic takes place in Las Cruces and features competition in the South Regional Bowling Tournament and the State Basketball Tournament and are hosted at New Mexico State University and at 10 Pin Alley. The North Regional Bowling Tournament is hosted at the Santa Ana Starlight Lanes in Bernalillo. Poly Hockey (hockey without the ice) is held at McGee Park in Farmington. On a side note, SONM's Unified Sports program 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 2,046 Unified Partners and SONM Athletes compete in 2013.

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, 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 2013, with the help of over 320 volunteers, 841 athletes were screened and over 255 athletes were given prescription glasses, sports goggles, and sunglasses at no cost to those athletes or their families. An additional 173 athletes were referred for further treatment.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

SONM has evaluated subsequent events through March 25, 2014, which is the date these 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 \$352,708 in 2013 and \$354,462 in 2012.

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 \$474,901 in 2013 and \$297,341 in 2012 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, 2013 and 2012

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, 2013 and 2012. There was no bad debt expense in 2013 or 2012.

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

Inventory consists 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 \$1,500 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 2010 to 2013. 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, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

SONM expenses advertising costs as incurred. For 2013 and 2012, advertising expense was \$226,298 and \$217,730, respectively, including donated advertising of \$207,196 and \$200,888, respectively.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 and 2012 consists of the following:

	2013	2012
Other	\$ 38,084	\$ 32,759
Telemarketing revenue	13,607	7,284
	<u>\$ 51,691</u>	<u>\$ 40,043</u>

NOTE D – INVESTMENTS

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

	2013	2012
Money market funds	\$ 451,961	\$ 429,892
Certificates of deposit	60,000	60,000
Government securities	15,900	25,820
Corporate securities	584	471
	<u>\$ 528,445</u>	<u>\$ 516,183</u>

The following summarizes the investment income for the years ended December 31, 2013 and 2012 in the statements of activities. The investment income includes income from investments, certificates of deposit and the endowment fund.

	2013	2012
Interest and dividend income	\$ 2,782	\$ 3,161
Net realized and unrealized gains	3,954	3,581
	6,736	6,742
Less investment fees	(762)	(696)
	<u>\$ 5,974</u>	<u>\$ 6,046</u>

NOTE E – 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.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE E – ENDOWMENT FUND INVESTMENTS AND SPENDING POLICY (continued)

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 2013 or 2012.

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

<u>December 31, 2013</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	24,466	-
Total funds	<u>\$ 24,466</u>	<u>\$ 42,650</u>

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

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

<u>December 31, 2013</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 19,464	\$ 42,650	\$ 62,114
Investment income	5,670	-	5,670
Investment fees	(668)	-	(668)
Endowment net assets, end of year	<u>\$ 24,466</u>	<u>\$ 42,650</u>	<u>\$ 67,116</u>

<u>December 31, 2012</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
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>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE F – FAIR VALUE MEASUREMENTS

Generally accepted accounting policies 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 assets whose values are derived from observable market data but for which there is not a quoted price for the specific asset; and Level 3 inputs consist of assets that are not traded in an active market and for which no significant observable market inputs are available and 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.

The estimated fair value of the investments in SONM's endowment funds were based on the fair values of the underlying assets as reported by the organization holding the funds.

SONM's investments and endowment funds are reported at fair value in the accompanying statements of financial position. The following table summarizes the assets of SONM measured at fair value on a recurring basis at year end:

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Money market funds	\$ 451,961	\$ 451,961	\$ -
Certificates of deposit	60,000	60,000	-
Government securities	15,900	15,900	-
Corporate securities	584	584	-
Endowment funds	67,116	-	67,116
	<u>\$ 595,561</u>	<u>\$ 528,445</u>	<u>\$ 67,116</u>
<u>December 31, 2012</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
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>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Office equipment and software	\$ 162,761	\$ 159,215
Program equipment	124,847	124,847
	<u>287,608</u>	<u>284,062</u>
Less accumulated depreciation	267,801	258,586
	<u>\$ 19,807</u>	<u>\$ 25,476</u>

Depreciation expense was \$9,215 and \$10,850 for the years ended December 31, 2013 and 2012, respectively.

NOTE H – CAPITAL LEASE OBLIGATION

SONM's property under capital lease is \$24,290 in 2013 and 2012 and is included in office equipment and software net of the accumulated depreciation of \$12,401 in 2013 and \$7,440 in 2012. Amortization expense for years ended December 31, 2013 and 2012 was \$4,960.

Capital lease obligation at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Capital lease obligation to finance company, payable in monthly installments of \$482, including interest at 6.18%, due July 2016	\$ 13,765	\$ 18,532

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

NOTE I – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Chapter	\$ 586,815	\$ 574,953
Area/Local	344,759	371,330
	<u>\$ 931,574</u>	<u>\$ 946,283</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, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Investments	\$ 468,445	\$ 456,183

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE J – 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 \$12,281 and \$12,319 for the years ended December 31, 2013 and 2012, respectively.

NOTE K – COMMITMENTS AND CONTINGENCIES

SONM leased office space under an operating lease. Lease expense on the office space was \$29,820 for 2013 and 2012. They are 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 \$23,009 and \$21,996 for 2013 and 2012, 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, 2013 and 2012 of \$91,955 and \$76,927, respectively.

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 \$192,171 and \$207,427 for the years ended December 31, 2013 and 2012, respectively. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$123,874 and \$137,427, to the professional marketing agency in 2013 and 2012, 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 \$68,131 in 2013 and \$75,585 in 2012. Joint costs allocated to fund-raising expenses are \$55,743 in 2013 and \$61,842 in 2012.

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, 2013 and 2012, SONM's uninsured cash balances totaled \$91,862 and \$190,802, respectively.

Approximately fifteen percent (15%) and thirteen percent (13%) of the SONM's revenue is generated by state grants in 2013 and 2012, respectively. A decrease in funding from these grants might affect SONM's operations.