

SPECIAL OLYMPICS NEW MEXICO, INC.

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

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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, 2014 and 2013 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, 2014 and 2013, 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 18, 2015

Special Olympics New Mexico, Inc.

Statements of Financial Position

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 406,637	\$ 344,481
Accounts receivable	106,188	51,691
Inventory	2,581	3,085
Prepaid expenses	14,568	10,489
Investments	504,779	528,445
Property and equipment	10,877	19,807
Endowment funds	70,812	67,116
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,116,442</u>	<u>\$ 1,025,114</u>
 LIABILITIES AND NET ASSETS		
 LIABILITIES		
Accounts payable	\$ 19,009	\$ 7,298
Accrued liabilities	9,366	8,369
Deferred revenue	3,750	21,458
Capital lease obligation	8,695	13,765
	<u> </u>	<u> </u>
TOTAL LIABILITIES	40,820	50,890
 NET ASSETS		
Unrestricted	1,032,972	931,574
Permanently restricted	42,650	42,650
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>1,075,622</u>	<u>974,224</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,116,442</u>	<u>\$ 1,025,114</u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Statement of Activities

Year ended December 31, 2014

	<u>Unrestricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>		
Revenues, gains, and other support				
Contributions	\$ 945,466	\$ 305,492	\$ -	\$ 1,250,958
Special events	288,090	45,155	-	333,245
Direct marketing revenue	301,003	-	-	301,003
State contract	295,000	-	-	295,000
Program sponsor and registration	244,470	-	-	244,470
Other income	12,998	-	-	12,998
Investment income	3,463	473	-	3,936
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues, gains, and other support	2,090,490	351,120	-	2,441,610
Expenses				
Program services				
Sporting events and games	746,021	148,906	-	894,927
Sports training	447,612	89,343	-	536,955
Public education activities	298,408	59,562	-	357,970
Total program services	<hr/> 1,492,041	<hr/> 297,811	<hr/> -	<hr/> 1,789,852
Management and general	176,785	602	-	177,387
Fund-raising	364,304	8,669	-	372,973
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,033,130	307,082	-	2,340,212
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	57,360	44,038	-	101,398
Net assets, beginning of year	<hr/> 586,815	<hr/> 344,759	<hr/> 42,650	<hr/> 974,224
Net assets, end of year	<hr/> <u>\$ 644,175</u>	<hr/> <u>\$ 388,797</u>	<hr/> <u>\$ 42,650</u>	<hr/> <u>\$ 1,075,622</u>

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
Direct marketing revenue	284,229	-	-	284,229
State contract	295,000	-	-	295,000
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><u>\$ 586,815</u></u>	<u><u>\$ 344,759</u></u>	<u><u>\$ 42,650</u></u>	<u><u>\$ 974,224</u></u>

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Statement of Functional Expenses

Year Ended December 31, 2014

	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 310,137	\$ 118,334	\$ 108,731	\$ 537,202
Program donated services	396,402	-	-	396,402
Program food and lodging	289,434	-	-	289,434
Outreach	274,502	-	-	274,502
Fund-raising expense	-	-	164,053	164,053
Equipment and uniforms	122,072	-	-	122,072
Benefits	67,393	25,714	23,627	116,734
Other program expenses	104,182	-	-	104,182
Special events	27,471	-	59,097	86,568
Program awards and recognition	75,534	-	-	75,534
Rent	27,806	7,342	7,342	42,490
Office supplies and expenses	21,460	2,742	3,209	27,411
Chapter assessment fees	24,777	-	-	24,777
Program facilities	16,619	-	-	16,619
Insurance	12,877	1,431	-	14,308
Accounting services	-	12,840	-	12,840
Telephone	5,657	2,263	3,394	11,314
Depreciation	5,544	1,693	1,693	8,930
Other expenses	3,275	2,184	-	5,459
Travel, meetings, and conferences	2,697	-	1,156	3,853
Printing and postage	2,013	671	671	3,355
Professional services	-	2,173	-	2,173
Total expenses	<u>\$ 1,789,852</u>	<u>\$ 177,387</u>	<u>\$ 372,973</u>	<u>\$ 2,340,212</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
Other program expenses	105,511	-	-	105,511
Special events	36,964	-	77,760	114,724
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
Chapter assessment fees	23,009	-	-	23,009
Program facilities	29,421	-	-	29,421
Insurance	12,688	1,410	-	14,098
Accounting services	-	12,573	-	12,573
Telephone	7,502	3,001	4,501	15,004
Depreciation	5,701	1,757	1,757	9,215
Other expenses	6,441	4,294	-	10,735
Travel, meetings, and conferences	9,794	2,448	-	12,242
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.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 101,398	\$ (14,709)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	8,930	9,215
Gain on endowment fund	(3,696)	(4,603)
Loss on investments	1,345	679
Changes in operating assets and liabilities:		
Accounts receivable	(54,497)	(11,648)
Inventory	504	466
Prepaid expenses	(4,079)	(4,451)
Accounts payable	11,711	(15,072)
Accrued liabilities	997	3,624
Deferred revenue	(17,708)	8,208
Cash provided (used) by operating activities	<u>44,905</u>	<u>(28,291)</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(3,546)
Purchase of investments	(290,572)	(31,838)
Proceeds on sale of investments	314,036	20,000
Reinvested investment income	(1,143)	(1,502)
Cash provided (used) by investing activities	<u>22,321</u>	<u>(16,886)</u>
Cash flows from financing activities		
Principal payments on capital lease obligation	(5,070)	(4,767)
Cash used by financing activities	<u>(5,070)</u>	<u>(4,767)</u>
Change in cash	62,156	(49,944)
Cash, beginning of year	<u>344,481</u>	<u>394,425</u>
Cash, end of year	<u><u>\$ 406,637</u></u>	<u><u>\$ 344,481</u></u>
Supplemental disclosure		
Interest paid	\$ 709	\$ 1,012

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community.

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 2014, SONM offered its athletes over 60 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 over 2,050 Unified Partners and SONM Athletes compete in 2014.

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 2014, with the help of over 246 volunteers, 622 athletes were screened and over 115 athletes were given prescription glasses, sports goggles, and sunglasses at no cost to those athletes or their families. An additional 158 athletes were referred for further treatment.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

SONM has evaluated subsequent events through March 18, 2015, 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. SONM has no temporarily restricted net assets as December 31, 2014 or 2013.

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 \$315,926 in 2014 and \$352,708 in 2013.

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 \$396,402 in 2014 and \$474,901 in 2013 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, 2014 and 2013

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. There were no receivables over 90 days at December 31, 2014 or 2013. There was no bad debt expense in 2014 or 2013.

Investments

Investments consist of bond funds, 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 2011 to 2014. 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.

Advertising

SONM expenses advertising costs as incurred. For 2014 and 2013, advertising expense was \$226,643 and \$226,298, respectively, including donated advertising of \$213,180 and \$207,196, respectively.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2014 and 2013 consists of the following:

	2014	2013
State Contract	\$ 62,750	\$ -
Other	20,709	38,084
Direct Marketing revenue	22,729	13,607
	<u>\$ 106,188</u>	<u>\$ 51,691</u>

NOTE D – INVESTMENTS

The following summarizes the investment income for the years ended December 31, 2014 and 2013 in the statements of activities. The investment income includes income from investments, certificates of deposit and the endowment fund.

	2014	2013
Interest and dividend income	\$ 2,774	\$ 2,782
Net realized and unrealized gains	1,885	3,954
	4,659	6,736
Less investment fees	(723)	(762)
	<u>\$ 3,936</u>	<u>\$ 5,974</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consist of:

	2014	2013
Office equipment and software	\$ 162,761	\$ 162,761
Program equipment	124,847	124,847
	287,608	287,608
Less accumulated depreciation	(276,731)	(267,801)
	<u>\$ 10,877</u>	<u>\$ 19,807</u>

Depreciation expense was \$8,930 and \$9,215 for the years ended December 31, 2014 and 2013, respectively.

NOTE F – 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, 2014 and 2013

NOTE F – 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 2014 or 2013.

Endowment net asset composition at December 31, 2014 and 2013 by type of fund is as follows:

	Unrestricted	Permanently Restricted
<u>December 31, 2014</u>		
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	28,162	-
Total funds	<u>\$ 28,162</u>	<u>\$ 42,650</u>
	Unrestricted	Permanently Restricted
<u>December 31, 2013</u>		
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	24,466	-
Total funds	<u>\$ 24,466</u>	<u>\$ 42,650</u>

Changes in endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	Unrestricted	Permanently Restricted	Total Endowment
<u>December 31, 2014</u>			
Endowment net assets, beginning of year	\$ 24,466	\$ 42,650	\$ 67,116
Investment income	4,419	-	4,419
Investment fees	(723)	-	(723)
Endowment net assets, end of year	<u>\$ 28,162</u>	<u>\$ 42,650</u>	<u>\$ 70,812</u>
	Unrestricted	Permanently Restricted	Total Endowment
<u>December 31, 2013</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>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE G – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles 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 December 31, 2014 and 2013.

<u>December 31, 2014</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Bond funds	\$ 249,389	\$ 249,389	\$ -
Money market funds	164,436	164,436	-
Certificates of deposit	79,841	79,841	-
Government securities	10,589	10,589	-
Corporate securities	524	524	-
Endowment funds	70,812	-	70,812
	<u>\$ 575,591</u>	<u>\$ 504,779</u>	<u>\$ 70,812</u>
<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>

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE H – CAPITAL LEASE OBLIGATION

SONM's property under capital lease has an original cost of \$24,802 and is included in office equipment and software net of the accumulated depreciation of \$17,341 in 2014 and \$12,401 in 2013. Depreciation expense for the years ended December 31, 2014 and 2013 was \$4,960.

Capital lease obligation at December 31, 2014 and 2013 consists of the following:

	2014	2013
Capital lease obligation to finance company, payable in monthly installments of \$482, including interest at 6.18%, due July 2016	\$ 8,695	\$ 13,765

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

NOTE I – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2014 and 2013 consist of:

	2014	2013
Chapter	\$ 644,175	\$ 586,815
Area/Local	388,797	344,759
	<u>\$ 1,032,972</u>	<u>\$ 931,574</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, 2014 and 2013 consist of:

	2014	2013
Investments	\$ 444,779	\$ 468,445

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 \$13,090 and \$12,281 for the years ended December 31, 2014 and 2013, respectively.

NOTE K – COMMITMENTS AND CONTINGENCIES

SONM leased office space under an operating lease. Lease expense on the office space was \$35,640 and \$29,820 for 2014 and 2013, respectively. SONM's office space lease terminates June 2015. Minimum future lease expense is \$15,600 in 2015. SONM has an option to renew the lease at current market rates.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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 \$24,777 and \$23,009 for 2014 and 2013, respectively, for program support and assessments.

SONM entered into a direct mail and telemarketing agreement with SOI to raise funds and increase public awareness of SONM's mission and activities in 2014. This resulted in contributions of \$193,902 for the year ended December 31, 2014. SONM incurred costs of \$84,547 to SOI for this campaign. These joint cost expenses on the statement of functional expenses are allocated \$46,501 to outreach and \$38,046 to fund-raising for the year ended December 31, 2014. SONM has a receivable from SOI of \$22,729 at December 31, 2014.

SONM had a direct mail fund-raising agreement with SOI in which SOI did the direct mail fund-raising and SONM shared the proceeds with SOI. SONM received income of \$92,058 from this agreement for the year ended December 31, 2013.

SONM also received contributions of \$6,558 and \$6,276 as a revenue share of corporate donations received by SOI.

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 \$107,101 and \$192,171 for the years ended December 31, 2014 and 2013, respectively. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$73,888 and \$123,874, to the professional marketing agency in 2014 and 2013, 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 as outreach are \$40,639 in 2014 and \$68,131 in 2013. Joint costs allocated to fund-raising expenses are \$33,249 in 2014 and \$55,743 in 2013.

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, 2014 and 2013, SONM's uninsured cash balances totaled \$219,562 and \$91,862, respectively.

Approximately fifteen percent (15%) and thirteen percent (13%) of the SONM's revenue is generated by state contracts in 2014 and 2013, respectively. A decrease in funding from these contracts might affect SONM's operations.