



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**SPECIAL OLYMPICS NEW MEXICO, INC.**

December 31, 2018



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## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Special Olympics New Mexico, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 2018 and related statement of activities, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As described in Note 2 of the financial statements, in 2018, the entity adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

As described in Note 7 of the financial statements, the endowment fund held with Albuquerque Community Foundation was included in the net assets for the year ended December 31, 2017, causing a restatement of beginning net assets in the Statement of Activities. Our opinion is not modified with respect to this matter.

*Mess Adams LLP*

Albuquerque, New Mexico  
March 29, 2019

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# Special Olympics New Mexico, Inc.

## Statement of Financial Position

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	December 31, 2018
<b>ASSETS</b>	
ASSETS	
Cash and cash equivalents	\$ 924,332
Accounts receivable	172,761
Inventory	5,207
Prepaid expenses	8,616
Investments	736,799
Property and equipment	9,853
	<hr/>
TOTAL ASSETS	\$ 1,857,568
	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>	
LIABILITIES	
Accounts payable	\$ 15,501
Accrued liabilities	10,649
Deferred revenue	19,700
Capital lease obligation	8,134
	<hr/>
TOTAL LIABILITIES	53,984
	<hr/>
NET ASSETS	
Without donor restrictions	
Undesignated	1,201,391
Board designated quasi-endowment	602,193
	<hr/>
Total net assets	1,803,584
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TOTAL LIABILITIES AND NET ASSETS	\$ 1,857,568
	<hr/> <hr/>

**Special Olympics New Mexico, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2018**

	Chapter	Without Donor Restrictions	
		Area and Local	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 1,309,791	\$ 248,713	\$ 1,558,504
Special events	343,190	46,591	389,781
State contract	180,000	-	180,000
Program sponsor and registration	152,681	-	152,681
Direct marketing revenue	218,343	-	218,343
Other income	354	-	354
Net investment income	9,202	(2,649)	6,553
	<u>2,213,561</u>	<u>292,655</u>	<u>2,506,216</u>
<b>EXPENSES</b>			
Program services	1,513,542	308,444	1,821,986
Management and general	133,758	535	134,293
Fundraising	346,800	9,522	356,322
	<u>1,994,100</u>	<u>318,501</u>	<u>2,312,601</u>
CHANGE IN NET ASSETS	219,461	(25,846)	193,615
NET ASSETS, beginning of year (as restated)	<u>1,114,417</u>	<u>495,552</u>	<u>1,609,969</u>
NET ASSETS, end of year	<u>\$ 1,333,878</u>	<u>\$ 469,706</u>	<u>\$ 1,803,584</u>

**Special Olympics New Mexico, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 356,382	\$ 79,484	\$ 158,764	\$ 594,630
Program donated services	498,529	-	-	498,529
Program food and lodging	304,030	-	-	304,030
Benefits	73,575	16,410	32,777	122,762
Special events	49,180	-	72,857	122,037
Other program expenses	109,773	-	-	109,773
Equipment and uniforms	102,471	-	-	102,471
Outreach	87,183	-	-	87,183
Program awards and recognition	77,990	-	-	77,990
Fundraising expense	-	-	72,578	72,578
Rent	28,569	7,543	7,543	43,655
Program facilities	35,223	-	-	35,223
Office supplies and expenses	26,365	3,408	4,310	34,083
Chapter assessment fees	30,195	-	-	30,195
Insurance	14,712	1,635	-	16,347
Travel, meetings, and conferences	9,860	2,113	2,112	14,085
Accounting services	-	13,438	-	13,438
Printing and postage	6,140	2,047	2,047	10,234
Other expenses	4,811	3,208	-	8,019
Telephone	3,760	1,504	2,255	7,519
Depreciation	3,238	1,079	1,079	5,396
Professional services	-	2,424	-	2,424
Total expenses	<u>\$ 1,821,986</u>	<u>\$ 134,293</u>	<u>\$ 356,322</u>	<u>\$ 2,312,601</u>

**Special Olympics New Mexico, Inc.**  
**Statement of Cash Flows**

	Year Ended December 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 193,615
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,396
Donated stock	1,061
(Gain) on investments	3,976
Change in operating assets and liabilities	
Accounts receivable	(78,873)
Inventory	(3,275)
Prepaid expenses	(1,080)
Accounts payable	8,831
Accrued liabilities	(23,471)
Deferred revenue	(30,800)
Cash provided by operating activities	75,380
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(58,176)
Reinvested investment income	(10,048)
Net cash used by investing activities	(68,224)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on capital lease	(4,301)
Net cash used by financing activities	(4,301)
Net change in cash and cash equivalents	2,855
CASH AND CASH EQUIVALENTS, beginning of year	921,477
CASH AND CASH EQUIVALENTS, end of year	\$ 924,332
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>	
Interest paid	\$ 1,460

# Special Olympics New Mexico, Inc.

## Notes to Financial Statements

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### Note 1 – 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 sports results 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 2018, SONM offered its 3,701 athletes 56 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 unified flag football. These games are held in Albuquerque at the University of New Mexico. The Four Corners Invitational, which takes place in Farmington, NM includes competition in unified golf, aquatics, and unified softball. The State Equestrian Competition is held on the Curry County Fairgrounds in Clovis, NM. SONM's Holiday Classic takes place in Las Cruces, NM and features competition in the South Regional Bowling Tournament and the State Basketball Tournament and is 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, NM. Poly Hockey (hockey without the ice) is held at McGee Park in Farmington, NM. 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 one's best rather than win and be the best. SONM had over 2,224 Unified Partners and SONM Athletes compete in 2018.

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 students and 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 and lack of health care access for Special Olympics athletes. Through better health and fitness, each athlete's ability to train and compete is improved. In 2018, with the help of over 200 volunteers, there were 528 screenings and over 110 athletes were given prescription glasses, sports goggles, and sunglasses at no cost to those athletes or their families. An additional 168 athletes were referred for further treatment.

## Special Olympics New Mexico, Inc. Notes to Financial Statements

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### Note 1 – Nature of Activities (continued)

Special Olympics New Mexico continues to put resources into building the Unified Champion Schools program, statewide. This program consists of three main components: Inclusive Sports and/or Fitness, Youth Leadership, and Whole School Engagement. Preliminary evidence suggests that the Unified Champion Schools perform better than other schools on most school climate dimensions such as respect for diversity, social and civic learning, and school connectiveness. 86% of school staff feel that this program has made a big impact on reducing bullying and teasing in their schools and 97% of high school seniors say that unified activities change their school for the better. There are 37 Unified Champion Schools in New Mexico representing Las Cruces, Rio Rancho, Farmington, Bloomfield, Albuquerque, and Gallup.

### Note 2 – Summary of Significant Accounting Policies

#### Financial Statement Presentation

The financial statements of SONM have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require SONM to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SONM management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SONM or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, management considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

# Special Olympics New Mexico, Inc.

## Notes to Financial Statements

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### Note 2 – 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, 2018. There was no bad debt expense in 2018.

#### Inventory

Inventory consists of souvenir goods to be sold at events. Inventory is valued at the lower of cost or market determined on the average cost method.

#### Investments

Investments in the statements of financial position consist of money market funds, certificates of deposit, government securities, corporate securities and exchange traded funds and are reported at fair market value. Investment gains and losses are included in the statements of activities.

#### 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

Cash received in the current year for special events which will occur in a future year is recorded as deferred revenue.

#### Income Taxes

SONM has adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. SONM recognizes the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax (benefit) expense is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. SONM had no unrecognized tax benefits at December 31, 2018. SONM files an exempt organization return with the Internal Revenue Service (IRS). It is not a "private foundation" for tax purposes.

#### 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.

## Special Olympics New Mexico, Inc. Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

SONM reports contributions received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 net assets with donor restrictions if the donor has restricted the donated assets to a specific purpose; otherwise, the contributions are recorded as net assets without donor restrictions. The total of donated materials and noncash donations were \$85,184 in 2018.

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 \$498,529 in 2018 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.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Special events expense	Time and effort
Office supplies and expenses	Time and effort
Telephone	Time and effort
Printing and postage	Time and effort
Rent	Square footage
Travel, meetings, and conferences	Time and effort
Insurance	Time and effort
Depreciation	Square footage
Other expenses	Time and effort

# Special Olympics New Mexico, Inc.

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures. It is at least reasonably possible that a change in estimates will occur in the near term. Accordingly, actual results could differ from those estimates.

#### Advertising

SONM expenses advertising costs as incurred. For 2018, advertising expense was \$493. There was no donated advertising in 2018.

#### Recent Accounting Pronouncements

*ASU 2016-14* – The FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) during August 2016. ASU 2016-14 revises the current net asset classification requirements and information presented in financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management has adopted this new pronouncement as of January 1, 2018.

*ASU 2016-02 Leases* – Changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods in fiscal years beginning after December 15, 2020. The ASU mandates a modified retrospective transition method for all entities. Management is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

*ASU 2018-08* – The FASB issued Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* – This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. Management is in the process of determining the impact of this pronouncement.

## Special Olympics New Mexico, Inc. Notes to Financial Statements

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### Note 3 – Accounts Receivable

Accounts receivable at December 31, 2018 consists of the following:

State contract	\$ 60,000
Special Olympics International	40,725
Estate gift	50,000
Other	20,266
Telemarketing revenue	<u>1,770</u>
Total	<u><u>\$ 172,761</u></u>

### Note 4 – Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Money market funds are valued at valued at cost plus accrued interest.

Government securities are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within Level 2 of the valuation hierarchy.

Corporate securities are valued at the closing price reported on the active market on which the individual securities are traded.

Exchange traded funds are valued at the net asset value (NAV) of shares held and are valued at the closing price reported on the active market on which the individual securities are traded.

## Special Olympics New Mexico, Inc.

### Notes to Financial Statements

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#### Note 4 – Fair Value Measurement (continued)

The following table presents information about SONM's assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of December 31, 2018 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are defined as follows:

**Level 1** – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active market.

**Level 2** – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Net investment income includes interest and dividend income as well as net realized and unrealized earnings on investments of \$6,553, which are all related to assets still held at December 31, 2018 and are included in the statements of activities.

Assets measured at fair value on a recurring basis at December 31, 2018 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 191,871	\$ -	\$ -	\$ 191,871
Money market funds	479,115	-	-	479,115
Government securities	1,255	-	-	1,255
Corporate securities	26,811	-	-	26,811
Exchange Traded Funds	<u>37,747</u>	<u>-</u>	<u>-</u>	<u>37,747</u>
Investments at fair value	<u>\$ 736,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,799</u>

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**

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**Note 5 – Property and Equipment**

Property and equipment at December 31, 2018 consists of:

Office equipment and software	\$ 165,710
Program equipment	<u>124,847</u>
	290,557
Less accumulated depreciation	<u>(280,704)</u>
Total property and equipment, net	<u><u>\$ 9,853</u></u>

Depreciation expense was \$5,396 for the year ended December 31, 2018.

**Note 6 – Endowment Fund Investments and Spending Policy**

The SONM endowment consists of a pool of funds established to support operations. It includes funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor restricted endowment funds could fall below the level that the donor or the Act requires SONM to retain as a fund of perpetual duration. In accordance with GAAP, no deficiencies of this nature have been reported in without donor restriction as of December 31, 2018.

The primary investment goal of SONM is to obtain, without undue risk, a return on investment and yield of the endowment portfolio sufficient for SONM to meet its perceived short and long term obligations. When the principal of the SONM endowment reaches \$25,000, expenditures may be made from the endowment. A total of 5% of the value of the principal shall be made available annually for spending purpose unless the rate of return is less than this amount. Should the fund earn less than 5% the endowment committee will make a recommendation to the Board of Directors regarding the annual allocation for that year. All investment income earned in excess of the amount made available for spending is returned to principal for re-investment in the following year.

## Special Olympics New Mexico, Inc.

### Notes to Financial Statements

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#### Note 6 – Endowment Fund Investments and Spending Policy (continued)

Effective July 1, 2009, the State of New Mexico enacted the UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors of SONM has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, SONM classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by SONM in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, SONM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SONM and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SONM
- (7) The investment policies of SONM

Endowment net assets consist of the following at December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated quasi-endowment	<u>\$ 602,193</u>	<u>\$ -</u>	<u>\$ 602,193</u>

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**

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**Note 6 – Endowment Fund Investments and Spending Policy (continued)**

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ 545,561	\$ -	\$ 545,561
Investment return:			
Investment income	9,258	-	9,258
Net appreciation (realized and unrealized)	(802)	-	(802)
Total investment return	8,456	-	8,456
Annual board designated contribution (3%)	48,176	-	48,176
Endowment net assets, December 31, 2018	<u>\$ 602,193</u>	<u>\$ -</u>	<u>\$ 602,193</u>

The intent of the board designated quasi-endowment is to have a reserve is to meet future cash needs as needed. Should this money be needed for cash flow purposes, board approval is required.

**Note 7 – Endowment Fund Held by Others**

SONM is the beneficiary of an endowment fund held by the Albuquerque Community Foundation (ACF). ACF may make annual distributions to SONM at the request of SONM in accordance with ACF's distribution policy. As of December 31, 2018, no distributions were requested from the fund. The balance of the endowment fund held by ACF totaled \$79,826 as of December 31, 2018. The donor of the fund granted the governing board of ACF "variance power". This variance power allows ACF to modify the donor's stipulations under certain circumstances in order to meet the changing needs of the community of Albuquerque. The endowment fund is not included in SONM's financial statements for the year ended December 31, 2018; however, was included in the net assets for the year ended December 31, 2017 causing a restatement of beginning net assets in the Statement of Activities, in the amount of \$82,321.

**Note 8 – Retirement 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 a matching contribution up to three percent of participating employees' salary to the Plan. Contribution expense was \$14,043 for the year ended December 31, 2018.

## Special Olympics New Mexico, Inc.

### Notes to Financial Statements

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#### Note 9 – Capital Lease Obligation

SONM entered into a long-term capital lease for a Xerox copier in August 2015. The property under capital lease has an original cost of \$21,000 and is included in office equipment and software net of the accumulated depreciation of \$14,350 in 2018. Depreciation expense for the year ended December 31, 2018 was \$4,200.

Capital lease obligation at December 31, 2018 consists of the following:

Capital lease obligation to finance company, payable in monthly installments of \$480, including interest at 13.22%, due August 2020	<u>\$ 8,134</u>
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Maturities of the capital lease obligation as per the lease agreement are as follows:

Year ending December 31,

2019	\$ 4,919
2020	3,215
	<u>\$ 8,134</u>

#### Note 10 – 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 \$30,195 for 2018 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 beginning in 2014. This resulted in contributions of \$159,557 for the year ended December 31, 2018. SONM incurred costs of \$46,870 in 2018 to SOI for this campaign. These joint cost expenses on the statement of functional expenses are allocated \$25,779 to outreach and \$21,091 to fund-raising for the year ended December 31, 2018. SONM has a receivable from SOI of \$40,725 at December 31, 2018.

#### Note 11 – 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 \$58,786 for the year ended December 31, 2018. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$32,663 to the professional marketing agency in 2018.

## Special Olympics New Mexico, Inc. Notes to Financial Statements

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### Note 11 – Direct Marketing Contributions (continued)

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 is \$17,965 in 2018. Joint costs allocated to fund-raising expenses is \$14,698 in 2018.

### Note 12 – Concentration of Credit Risk

Financial instruments that potentially subject SONM to concentrations of credit risk consist principally of cash and investments. SONM places its investments with financial institutions and investment brokerage firms. At December 31, 2018, SONM's uninsured cash balances with financial institutions totaled \$424,332.

Investment brokerage firms insure up to \$500,000 in securities, including a \$250,000 limit for cash held in a brokerage account. At December 31, 2018 and 2017 all of SONM's balances with investment brokerage firms were insured.

### Note 13 – Commitments and Contingencies

SONM leased office space under an operating lease. Lease expense on the office space was \$31,020 for 2018. SONM's office space lease terminates June 2019. Minimum future lease expense is \$16,200 in 2019. SONM has an option to renew the lease for one year at current market rates.

### Note 14 – Availability and Liquidity

The following represents SONM's financial assets at December 31, 2018:

Financial assets:	
Cash and cash equivalents	\$ 924,332
Receivables	172,761
Investments	<u>736,799</u>
Total financial assets	1,833,892
Less amounts not available for general expenditure within one year:	
Quasi endowment established by the Board	<u>602,193</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 1,231,699</u></u>

## Special Olympics New Mexico, Inc.

### Notes to Financial Statements

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#### Note 14 – Availability and Liquidity (continued)

SONM's current goal is generally to maintain financial assets to meet six months' worth of operating expenses (approximately \$900,000). The future goal is to maintain financial assets to meet one year's worth of operating expenses (approximately \$1.8 million). As part of SONM's current and future liquidity plan each month, 3% of revenues in excess of expenditures are invested in board restricted investments, which include money market accounts and certificates of deposit. Should the reserve be needed for cash flow purposes, it will require board approval.

#### Note 15 – Net Assets

Net assets without donor restrictions for the years ended December 31, 2018 are as follows:

Undesignated	\$ 1,201,391
Board designated quasi-endowment	<u>602,193</u>
Total net assets without donor restriction	<u><u>\$ 1,803,584</u></u>

#### Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. SONM recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued. SONM has evaluated subsequent events through March 29, 2019.