

**SPECIAL OLYMPICS NEW MEXICO, INC.**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended December 31, 2016 and 2015**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
<b>FINANCIAL STATEMENTS</b>	
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, 2016 and 2015 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, 2016 and 2015, 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.

*BPWC, LLC*

**BPWC, LLC**  
Albuquerque, New Mexico  
March 30, 2017

**Special Olympics New Mexico, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 578,923	\$ 569,807
Accounts receivable	44,825	41,315
Inventory	1,932	2,051
Prepaid expenses	14,337	8,268
Investments	608,303	533,692
Property and equipment	21,123	26,997
Endowment funds	<u>73,309</u>	<u>68,387</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,342,752</u></u>	<u><u>\$ 1,250,517</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,055	\$ 5,751
Accrued liabilities	17,320	14,213
Deferred revenue	42,500	5,000
Capital lease obligation	<u>16,203</u>	<u>19,988</u>
<b>TOTAL LIABILITIES</b>	77,078	44,952
<b>NET ASSETS</b>		
Unrestricted	1,223,024	1,162,915
Permanently restricted	<u>42,650</u>	<u>42,650</u>
<b>TOTAL NET ASSETS</b>	<u><u>1,265,674</u></u>	<u><u>1,205,565</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,342,752</u></u>	<u><u>\$ 1,250,517</u></u>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**  
**Statement of Activities**  
Year ended December 31, 2016

	<u>Unrestricted</u>			<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	
<b>Revenues, gains, and other support</b>				
Contributions	\$ 935,736	\$ 368,919	\$ -	\$ 1,304,655
Special events	317,018	-	-	317,018
State contract	265,500	-	-	265,500
Program sponsor and registration	264,676	-	-	264,676
Direct marketing revenue	208,861	-	-	208,861
Other income	7,709	-	-	7,709
Investment income	10,993	2,722	-	13,715
<b>Total revenues, gains, and other support</b>	<b>2,010,493</b>	<b>371,641</b>	<b>-</b>	<b>2,382,134</b>
<b>Expenses</b>				
<b>Program services</b>				
Sporting events and games	684,267	181,183	-	865,450
Sports training	410,558	108,710	-	519,268
Public education activities	273,706	72,473	-	346,179
<b>Total program services</b>	<b>1,368,531</b>	<b>362,366</b>	<b>-</b>	<b>1,730,897</b>
Management and general	170,462	-	-	170,462
Fund-raising	409,451	11,215	-	420,666
<b>Total expenses</b>	<b>1,948,444</b>	<b>373,581</b>	<b>-</b>	<b>2,322,025</b>
Change in net assets	62,049	(1,940)	-	60,109
Net assets, beginning of year	681,907	481,008	42,650	1,205,565
Net assets, end of year	<u>\$ 743,956</u>	<u>\$ 479,068</u>	<u>\$ 42,650</u>	<u>\$ 1,265,674</u>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**  
**Statement of Activities**  
**Year ended December 31, 2015**

	<u>Unrestricted</u>			<u>Total</u>
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	
<b>Revenues, gains, and other support</b>				
Contributions	\$ 901,236	\$ 347,826	\$ -	\$ 1,249,062
Special events	326,612	66,736	-	393,348
State contract	295,000	-	-	295,000
Program sponsor and registration	257,815	-	-	257,815
Direct marketing revenue	245,183	-	-	245,183
Other income	5,902	-	-	5,902
Investment income	399	600	-	999
<b>Total revenues, gains, and other support</b>	<b>2,032,147</b>	<b>415,162</b>	<b>-</b>	<b>2,447,309</b>
<b>Expenses</b>				
<b>Program services</b>				
Sporting events and games	717,665	152,752	-	870,417
Sports training	430,599	91,651	-	522,250
Public education activities	287,066	61,101	-	348,167
<b>Total program services</b>	<b>1,435,330</b>	<b>305,504</b>	<b>-</b>	<b>1,740,834</b>
Management and general	170,348	-	-	170,348
Fund-raising	388,737	17,447	-	406,184
<b>Total expenses</b>	<b>1,994,415</b>	<b>322,951</b>	<b>-</b>	<b>2,317,366</b>
Change in net assets	37,732	92,211	-	129,943
Net assets, beginning of year	644,175	388,797	42,650	1,075,622
Net assets, end of year	<u>\$ 681,907</u>	<u>\$ 481,008</u>	<u>\$ 42,650</u>	<u>\$ 1,205,565</u>

See accompanying notes to financial statements.

**Special Olympics New Mexico, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries	\$ 348,970	\$ 107,820	\$ 157,391	\$ 614,181
Program donated services	414,297	-	-	414,297
Program food and lodging	369,762	-	-	369,762
Fund-raising expense	-	-	143,429	143,429
Benefits	72,696	22,894	27,498	123,088
Special events	34,825	-	71,223	106,048
Equipment and uniforms	101,992	-	-	101,992
Program awards and recognition	100,186	-	-	100,186
Other program expenses	92,621	-	-	92,621
Office supplies and expenses	34,657	4,516	5,983	45,156
Outreach	42,781	-	-	42,781
Rent	27,166	7,462	7,462	42,090
Program facilities	26,042	-	-	26,042
Chapter assessment fees	24,159	-	-	24,159
Insurance	14,684	1,632	-	16,316
Accounting services	-	13,291	-	13,291
Telephone	6,404	2,562	3,843	12,809
Other expenses	6,213	4,144	-	10,357
Travel, meetings, and conferences	5,409	1,159	1,159	7,727
Printing and postage	4,509	1,503	1,503	7,515
Depreciation	3,524	1,175	1,175	5,874
Professional services	-	2,304	-	2,304
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 1,730,897</u>	<u>\$ 170,462</u>	<u>\$ 420,666</u>	<u>\$ 2,322,025</u>

See accompanying notes to financial statements.



**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2016 and 2015

**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, 2016 or 2015. There was no bad debt expense in 2016 or 2015.

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 values based on quoted prices in active markets. Investment gains and losses are included in the statements of activities.

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.

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 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 2013 to 2016. 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 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 2016 and 2015, advertising expense was \$11,485 and \$12,194, respectively, including donated advertising of \$4,500 in 2016 and 2015.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE C – ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Other	\$ 29,731	\$ 41,041
Telemarketing revenue	15,094	274
	<u>\$ 44,825</u>	<u>\$ 41,315</u>

**NOTE D – INVESTMENTS**

The following summarizes the investment income for the years ended December 31, 2016 and 2015 in the statement of activities. The investment income includes income from investments and the endowment funds.

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 7,055	\$ 4,426
Net realized and unrealized gains	7,442	(2,697)
	14,497	1,729
Less investment fees	(782)	(730)
	<u>\$ 13,715</u>	<u>\$ 999</u>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Office equipment and software	\$ 165,711	\$ 165,711
Program equipment	124,847	124,847
	290,558	290,558
Less accumulated depreciation	(269,435)	(263,561)
	<u>\$ 21,123</u>	<u>\$ 26,997</u>

Depreciation expense was \$5,874 and \$7,084 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015

**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 2016 or 2015.

SONM follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its governing documents for endowment investments and spending policy.

Endowment net asset composition at December 31, 2016 and 2015 by type of fund is as follows:

<u>December 31, 2016</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	30,659	-
Total funds	<u>\$ 30,659</u>	<u>\$ 42,650</u>

  

<u>December 31, 2015</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	25,737	-
Total funds	<u>\$ 25,737</u>	<u>\$ 42,650</u>

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

<u>December 31, 2016</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 25,737	\$ 42,650	\$ 68,387
Investment income	5,704	-	5,704
Investment fees	(782)	-	(782)
Endowment net assets, end of year	<u>\$ 30,659</u>	<u>\$ 42,650</u>	<u>\$ 73,309</u>

  

<u>December 31, 2015</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 28,162	\$ 42,650	\$ 70,812
Investment income	(1,695)	-	(1,695)
Investment fees	(730)	-	(730)
Endowment net assets, end of year	<u>\$ 25,737</u>	<u>\$ 42,650</u>	<u>\$ 68,387</u>

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE G – FAIR VALUE MEASUREMENTS**

GAAP 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 inputs of endowment funds were based on the fair values of the underlying assets as reported by the organization holding the funds. The estimated fair value inputs for exchange traded funds are the net asset value (NAV) of shares held by SONM at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares outstanding.

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, 2016 and 2015.

<u>December 31, 2016</u>	Fair Value	(Level 1)	(Level 2)	Other Investments
Certificates of deposit	\$ 427,713	\$ 427,713	\$ -	\$ -
Money market funds	114,997	114,997	-	-
Government securities	3,574	3,574	-	-
Corporate securities	26,032	26,032	-	-
Exchange Traded Funds	35,987	-	-	35,987
Endowment funds	73,309	-	73,309	-
	<u>\$ 681,612</u>	<u>\$ 572,316</u>	<u>\$ 73,309</u>	<u>\$ 35,987</u>

  

<u>December 31, 2015</u>	Fair Value	(Level 1)	(Level 2)	Other Investments
Certificates of deposit	\$ 396,689	\$ 396,689	\$ -	\$ -
Money market funds	130,495	130,495	-	-
Government securities	6,508	6,508	-	-
Endowment funds	68,387	-	68,387	-
	<u>\$ 602,079</u>	<u>\$ 533,692</u>	<u>\$ 68,387</u>	<u>\$ -</u>

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE H – CAPITAL LEASE OBLIGATION**

In 2015, SONM acquired a new capital lease. 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 \$5,950 in 2016 and \$1,750 in 2015. Depreciation expense for the year ended December 31, 2016 and 2015 is \$4,200 and \$1,750, respectively.

Capital lease obligation at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Capital lease obligation to finance company, payable in monthly installments of \$480, including interest at 13.22%, due August 2020	\$ 16,203	\$ 19,988

Maturities of the capital lease obligation as per the lease agreement are as follows: 2017 - \$3,782; 2018 - \$4,313; 2019 - \$4,919 and 2020 - \$3,189.

**NOTE I – UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Chapter	\$ 743,956	\$ 681,907
Area/Local	479,068	481,008
	<u>\$ 1,223,024</u>	<u>\$ 1,162,915</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, 2016 and 2015 consist of investments of \$486,247 and \$473,692, respectively.

**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 a matching contribution up to three percent of participating employees' salary to the Plan. Pension expense was \$13,939 and \$14,497 for the years ended December 31, 2016 and 2015, respectively.

**NOTE K – COMMITMENTS AND CONTINGENCIES**

SONM leased office space under an operating lease. Lease expense on the office space was \$31,110 and \$31,200 for 2016 and 2015, respectively. SONM's office space lease terminates June 2018. Minimum future lease expense is \$32,400 in 2017 and \$16,200 in 2018. SONM has an option to renew the lease for one year at current market rates.

**Special Olympics New Mexico, Inc.**  
Notes to Financial Statements  
December 31, 2016 and 2015

**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 \$24,159 and \$25,775 for 2016 and 2015, 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 beginning in 2014. This resulted in contributions of \$150,226 and \$173,574 for the years ended December 31, 2016 and 2015, respectively. SONM incurred costs of \$41,620 in 2016 and \$79,612 in 2015 to SOI for this campaign. These joint cost expenses on the statement of functional expenses are allocated \$22,891 and \$43,787 to outreach and \$18,729 and \$35,825 to fund-raising for the years ended December 31, 2016 and 2015, respectively. SONM has a receivable from SOI of \$29,731 and \$22,000 at December 31, 2016 and 2015, 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 \$57,072 and \$71,609 for the years ended December 31, 2016 and 2015, respectively. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$36,164 and \$46,980, to the professional marketing agency in 2016 and 2015, 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 \$19,890 in 2016 and \$25,838 in 2015. Joint costs allocated to fund-raising expenses are \$16,274 in 2016 and \$21,142 in 2015.

**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, 2016 and 2015, SONM's uninsured cash balances totaled \$210,827 and \$272,108, respectively.

Approximately twelve percent (11%) and twelve percent (12%) of the SONM's revenue is generated by state contracts in 2016 and 2015, respectively. A decrease in funding from these contracts might affect SONM's operations.