

SPECIAL OLYMPICS NEW MEXICO, INC.

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016 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, 2017 and 2016, 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
April 6, 2018

Special Olympics New Mexico, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 921,477	\$ 578,923
Accounts receivable	93,888	44,825
Inventory	1,932	1,932
Prepaid expenses	7,536	14,337
Investments	673,612	608,303
Property and equipment	15,249	21,123
Endowment funds	82,321	73,309
	\$ 1,796,015	\$ 1,342,752
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 6,670	\$ 1,055
Accrued liabilities	34,120	17,320
Deferred revenue	50,500	42,500
Capital lease obligation	12,435	16,203
	103,725	77,078
NET ASSETS		
Unrestricted, Undesignated	1,104,079	736,777
Unrestricted, Board Designated	545,561	486,247
Permanently restricted	42,650	42,650
	1,692,290	1,265,674
TOTAL NET ASSETS	1,692,290	1,265,674
TOTAL LIABILITIES AND NET ASSETS	\$ 1,796,015	\$ 1,342,752

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statement of Activities
Year ended December 31, 2017

	<u>Unrestricted</u>			
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 1,385,205	\$ 333,745	\$ -	\$ 1,718,950
Special events	574,727	65,358	-	640,085
State contract	-	-	-	-
Program sponsor and registration	165,914	-	-	165,914
Direct marketing revenue	239,181	-	-	239,181
Other income	1,658	-	-	1,658
Investment income	14,920	6,768	-	21,688
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues, gains, and other support	2,381,605	405,871	-	2,787,476
EXPENSES				
PROGRAM SERVICES				
Sporting events and games	710,679	189,626	-	900,305
Sports training	426,406	113,775	-	540,181
Public education activities	284,271	75,850	-	360,121
Total program services	<hr/> 1,421,356	<hr/> 379,251	<hr/> -	<hr/> 1,800,607
Management and general	151,921	-	-	151,921
Fund-raising	398,196	10,136	-	408,332
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,971,473	389,387	-	2,360,860
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	410,132	16,484	-	426,616
Net assets, beginning of year	743,956	479,068	42,650	1,265,674
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,154,088</u>	<u>\$ 495,552</u>	<u>\$ 42,650</u>	<u>\$ 1,692,290</u>

See accompanying notes to financial statements.

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

	<u>Unrestricted</u>			
	<u>Chapter</u>	<u>Area and Local</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
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
	<u>2,010,493</u>	<u>371,641</u>	<u>-</u>	<u>2,382,134</u>
EXPENSES				
PROGRAM SERVICES				
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
Total program services	<u>1,368,531</u>	<u>362,366</u>	<u>-</u>	<u>1,730,897</u>
Management and general	170,462	-	-	170,462
Fund-raising	409,451	11,215	-	420,666
	<u>1,948,444</u>	<u>373,581</u>	<u>-</u>	<u>2,322,025</u>
	<u>62,049</u>	<u>(1,940)</u>	<u>-</u>	<u>60,109</u>
Net assets, beginning of year	<u>681,907</u>	<u>481,008</u>	<u>42,650</u>	<u>1,205,565</u>
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 Functional Expenses
Year Ended December 31, 2017

	Program Services	Management and General	Fund-raising	Total
Salaries	\$ 334,046	\$ 93,002	\$ 166,205	\$ 593,253
Program donated services	538,476	-	-	538,476
Program food and lodging	330,535	-	-	330,535
Fund-raising expense	-	-	141,717	141,717
Equipment and uniforms	119,236	-	-	119,236
Benefits	69,502	21,889	26,290	117,681
Program awards and recognition	101,493	-	-	101,493
Special events	40,201	-	56,655	96,856
Other program expenses	79,067	-	-	79,067
Outreach	45,513	-	-	45,513
Rent	26,101	7,036	7,036	40,173
Office supplies and expenses	28,258	3,651	4,599	36,508
Chapter assessment fees	27,973	-	-	27,973
Program facilities	26,785	-	-	26,785
Insurance	14,140	1,571	-	15,711
Accounting services	-	14,097	-	14,097
Telephone	5,389	2,156	3,233	10,778
Other expenses	5,447	3,634	-	9,081
Depreciation	3,524	1,175	1,175	5,874
Printing and postage	3,083	1,028	1,028	5,139
Travel, meetings, and conferences	1,838	394	394	2,626
Professional services	-	2,288	-	2,288
Total expenses	\$ 1,800,607	\$ 151,921	\$ 408,332	\$ 2,360,860

See accompanying notes to financial statements.

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

	Program Services	Management and General	Fund-raising	Total
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
Equipment and uniforms	101,992	-	-	101,992
Benefits	72,696	22,894	27,498	123,088
Program awards and recognition	100,186	-	-	100,186
Special events	34,825	-	71,223	106,048
Other program expenses	92,621	-	-	92,621
Outreach	42,781	-	-	42,781
Rent	27,166	7,462	7,462	42,090
Office supplies and expenses	34,657	4,516	5,983	45,156
Chapter assessment fees	24,159	-	-	24,159
Program facilities	26,042	-	-	26,042
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
Depreciation	3,524	1,175	1,175	5,874
Printing and postage	4,509	1,503	1,503	7,515
Travel, meetings, and conferences	5,409	1,159	1,159	7,727
Professional services	-	2,304	-	2,304
Total expenses	\$ 1,730,897	\$ 170,462	\$ 420,666	\$ 2,322,025

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 426,616	\$ 60,109
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,874	5,874
Gain on endowment fund	(8,859)	(4,922)
Gain on investments	(4,798)	(3,177)
(Increase) decrease in operating assets		
Accounts receivable	(49,063)	(3,510)
Inventory	-	119
Prepaid expenses	6,801	(6,069)
Increase (decrease) in operating liabilities		
Accounts payable	5,615	(4,696)
Accrued liabilities	16,800	3,107
Deferred revenue	8,000	37,500
Cash provided by operating activities	<u>406,986</u>	<u>84,335</u>
Cash flows from investing activities		
Purchase of investments	(53,270)	(65,875)
Reinvested investment income	(7,394)	(5,559)
Cash used by investing activities	<u>(60,664)</u>	<u>(71,434)</u>
Cash flows from financing activities		
Principal payments on capital lease obligation	(3,768)	(3,785)
Cash used by financing activities	<u>(3,768)</u>	<u>(3,785)</u>
Change in cash	342,554	9,116
Cash, beginning of year	<u>578,923</u>	<u>569,807</u>
Cash, end of year	<u>\$ 921,477</u>	<u>\$ 578,923</u>
Supplemental disclosure		
Interest paid	\$ 2,000	\$ 2,088

See accompanying notes to financial statements.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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 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 2017, SONM offered its 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, 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 2017.

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 2017, with the help of over 300 volunteers, there were 980 screenings and over 140 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, 2017 and 2016

NOTE A – 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. Unified Physical Education is the most commonly implemented activity in those schools who have adopted the program. 100% of the schools implemented an R-Word Campaign, to eliminate the word “retarded.” In New Mexico, 100% of the Unified Championship School liaisons indicated that the program made a difference in creating a more socially inclusive school environment, increasing opportunities for students to work together, and raising awareness about students with disabilities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

SONM has evaluated subsequent events through April 6, 2018, 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 (GAAP). 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 had no temporarily restricted net assets as of December 31, 2017 or 2016.

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 \$129,534 in 2017 and \$125,333 in 2016.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$538,476 in 2017 and \$414,297 in 2016 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.

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, 2017 or 2016. There was no bad debt expense in 2017 or 2016.

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.

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 2014 to 2017. SONM believes it has appropriate support for any tax position taken and as such, SONM has not recognized any changes to the financial statements for uncertain tax positions.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE B – 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 2017 and 2016, advertising expense was \$6,353 and \$11,485, respectively, including donated advertising of \$2,627 and \$4,500 in 2017 and 2016, respectively.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Other	\$ 92,581	\$ 29,731
Telemarketing revenue	1,307	15,094
	<u>\$ 93,888</u>	<u>\$ 44,825</u>

NOTE D – INVESTMENTS

The following summarizes the investment income for the years ended December 31, 2017 and 2016 in the statement of activities. The investment income includes income from investments and the endowment funds.

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 8,197	\$ 7,055
Net realized and unrealized gains	14,294	7,442
	22,491	14,497
Less investment fees	(803)	(782)
	<u>\$ 21,688</u>	<u>\$ 13,715</u>

NOTE E – 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 \$13,439 and \$13,939 for the years ended December 31, 2017 and 2016, respectively.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016 consist of:

	2017	2016
Office equipment and software	\$ 165,711	\$ 165,711
Program equipment	124,847	124,847
	290,558	290,558
Less accumulated depreciation	(275,309)	(269,435)
	\$ 15,249	\$ 21,123

Depreciation expense was \$5,874 for the years ended December 31, 2017 and 2016.

NOTE G – ENDOWMENT FUND INVESTMENTS AND SPENDING POLICY

SONM’s endowment funds are held by the Albuquerque Community Foundation as a part of its pooled investments. Variance power has been granted to the Albuquerque Community Foundation. These assets will be returned to SONM if the Albuquerque Community Foundation ceases to be a charitable organization. These investments are stated at fair market value.

Annual distributions can be made pursuant to current Albuquerque Community Foundation policy. Current policy states that distributions will be based on 4% of the average previous twelve quarters’ fund balance if requested by SONM. There were no distributions for 2017 or 2016.

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, 2017 and 2016 by type of fund is as follows:

	Unrestricted	Permanently Restricted
<u>December 31, 2017</u>		
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	39,671	-
Total funds	\$ 39,671	\$ 42,650
<u>December 31, 2016</u>		
Donor-restricted endowment funds	\$ -	\$ 42,650
Unrestricted funds	30,659	-
Total funds	\$ 30,659	\$ 42,650

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

<u>December 31, 2017</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>
Endowment net assets, beginning of year	\$ 30,659	\$ 42,650	\$ 73,309
Investment income	9,815	-	9,815
Investment fees	(803)	-	(803)
Endowment net assets, end of year	<u>\$ 39,671</u>	<u>\$ 42,650</u>	<u>\$ 82,321</u>

<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>

NOTE H – COMMITMENTS AND CONTINGENCIES

SONM leased office space under an operating lease. Lease expense on the office space was \$31,020 and \$31,110 for 2017 and 2016, respectively. SONM's office space lease terminates June 2018. Minimum future lease expense is \$16,200 in 2018. SONM has an option to renew the lease for one year at current market rates.

NOTE I – 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 quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of significant unobservable inputs 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 inputs of the exchange traded funds were based on (NAV) as a practical expedient based on the 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. The inputs of the endowment fund were based on either NAV at which the funds were actively traded at year end or NAV as a practical expedient based on the shares held by SONM at year end.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE I – FAIR VALUE MEASUREMENTS (continued)

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, 2017 and 2016.

<u>December 31, 2017</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Other Investments</u>
Certificates of deposit	\$ 363,459	\$ 363,459	\$ -	\$ -
Money market funds	242,397	242,397	-	-
Government securities	-	-	-	-
Corporate securities	26,125	26,125	-	-
Exchange Traded Funds	41,631	-	-	41,631
Endowment funds	82,321	-	50,364	31,957
	<u>\$ 755,933</u>	<u>\$ 631,981</u>	<u>\$ 50,364</u>	<u>\$ 73,588</u>

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Other Investments</u>
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	-	40,320	32,989
	<u>\$ 681,612</u>	<u>\$ 572,316</u>	<u>\$ 40,320</u>	<u>\$ 68,976</u>

NOTE J – CAPITAL LEASE OBLIGATION

SONM has a 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 \$10,150 in 2017 and \$5,950 in 2016. Depreciation expense for the year ended December 31, 2017 and 2016 was \$4,200.

Capital lease obligation at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Capital lease obligation to finance company, payable in monthly installments of \$480, including interest at 13.22%, due August 2020	\$ 12,435	\$ 16,203

Maturities of the capital lease obligation as per the lease agreement are as follows: 2018 - \$4,313; 2019 - \$4,919 and 2020 - \$3,203.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

NOTE K – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Chapter	\$ 1,154,088	\$ 743,956
Area/Local	495,552	479,068
	<u>\$ 1,649,640</u>	<u>\$ 1,223,024</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, 2017 and 2016 consist of investments of \$545,561 and \$486,247, respectively.

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 \$27,973 and \$24,159 for 2017 and 2016, 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 \$182,578 and \$150,226 for the years ended December 31, 2017 and 2016, respectively. SONM incurred costs of \$53,083 in 2017 and \$41,620 in 2016 to SOI for this campaign. These joint cost expenses on the statement of functional expenses are allocated \$29,195 and \$22,891 to outreach and \$23,888 and \$18,729 to fund-raising for the years ended December 31, 2017 and 2016, respectively. SONM has a receivable from SOI of \$42,857 and \$29,731 at December 31, 2017 and 2016, 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 \$56,603 and \$57,072 for the years ended December 31, 2017 and 2016, respectively. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$29,667 and \$36,164, to the professional marketing agency in 2017 and 2016, 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 \$16,317 in 2017 and \$19,890 in 2016. Joint costs allocated to fund-raising expenses are \$13,350 in 2017 and \$16,274 in 2016.

Special Olympics New Mexico, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016, SONM's uninsured cash balances totaled \$278,793 and \$210,827, respectively.

NOTE O – CHANGE OF ACCOUNTING PRINCIPLE

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Accordingly, the amendment was retrospectively applied resulting in the year ended December 31, 2016 information being adjusted.