



LOFTIS & LOVATO

— G R O U P —

CERTIFIED PUBLIC ACCOUNTANTS

***Special
Olympics
New Mexico***



Financial Statements
and
Independent Auditor's Report

December 31, 2019 and 2018

Special Olympics New Mexico, Inc.

Table of Contents

| | <u>Page</u> |
|-------------------------------------|-------------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4-5 |
| Statements of Functional Expenses | 6-7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9-22 |

Independent Auditor's Report

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

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, 2019 and the related statements 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Special Olympics New Mexico, Inc. as of and for the year ended December 31, 2018 were audited by other auditors whose report dated March 29, 2019 expressed an unmodified opinion on those financial statements.

Loftis & Lovato Group

Albuquerque, New Mexico
June 17, 2020

Financial Statements

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

| | 2019 | 2018 |
|-----------------------------------|--------------|--------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 827,404 | \$ 924,332 |
| Receivables | 274,473 | 172,761 |
| Inventory | - | 5,207 |
| Assets held for sale | 189,785 | - |
| Prepaid expense | 28,132 | 8,616 |
| Total current assets | 1,319,794 | 1,110,916 |
| Investments | 907,521 | 736,799 |
| Property and equipment, net | 10,548 | 9,853 |
| Total assets | \$ 2,237,863 | \$ 1,857,568 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 4,132 | \$ 15,501 |
| Accrued expenses | 14,592 | 10,649 |
| Deferred revenue | - | 19,700 |
| Capital lease obligation | 3,650 | 8,134 |
| Total current liabilities | 22,374 | 53,984 |
| Net assets | | |
| Without donor restriction | | |
| Undesignated | 1,401,065 | 1,201,391 |
| Board designated quasi-endowment | 668,909 | 602,193 |
| With donor restriction | 145,515 | - |
| Total net assets | 2,215,489 | 1,803,584 |
| Total liabilities and net assets | \$ 2,237,863 | \$ 1,857,568 |

The accompanying notes are an integral part of these financial statements.

Special Olympics New Mexico, Inc.
Statement of Activities
For the Year Ended December 31, 2019

| | <u>Without Donor Restriction</u> | | <u>With Donor</u> | <u>Total</u> |
|----------------------------------|----------------------------------|--------------------------|--------------------------------------|----------------------------|
| | <u>Chapter</u> | Area and <u>Local</u> | <u>Restriction</u> <u>Chapter</u> | |
| Support and Revenue | | | | |
| Contributions | \$ 1,414,437 | \$ 400,071 | \$ 145,515 | \$ 1,960,023 |
| Special events | 318,340 | 91,772 | - | 410,112 |
| State contract | 320,000 | - | - | 320,000 |
| Program sponsor and registration | 167,120 | - | - | 167,120 |
| Direct marketing revenue | 177,928 | - | - | 177,928 |
| Other income | 8,718 | - | - | 8,718 |
| Net investment income | <u>13,424</u> | <u>14,653</u> | <u>-</u> | <u>28,077</u> |
| Total support and revenue | <u>2,419,967</u> | <u>506,496</u> | <u>145,515</u> | <u>3,071,978</u> |
| Expenses | | | | |
| Program services | 1,647,385 | 410,611 | - | 2,057,996 |
| Management and general | 155,218 | 1,290 | - | 156,508 |
| Fundraising | <u>434,581</u> | <u>10,988</u> | <u>-</u> | <u>445,569</u> |
| Total expenses | <u>2,237,184</u> | <u>422,889</u> | <u>-</u> | <u>2,660,073</u> |
| Change in net assets | 182,783 | 83,607 | 145,515 | 411,905 |
| Net assets, beginning of year | <u>1,333,878</u> | <u>469,706</u> | <u>-</u> | <u>1,803,584</u> |
| Net assets, end of year | <u><u>\$ 1,516,661</u></u> | <u><u>\$ 553,313</u></u> | <u><u>\$ 145,515</u></u> | <u><u>\$ 2,215,489</u></u> |

The accompanying notes are an integral part of these financial statements.

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

| | <u>Without Donor Restriction</u> | | |
|----------------------------------|----------------------------------|---------------------------|----------------------------|
| | <u>Chapter</u> | <u>Area and Local</u> | <u>Total</u> |
| Support and Revenue | | | |
| Contributions | \$ 1,309,791 | \$ 248,713 | \$ 1,558,504 |
| Special event | 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 (loss) | <u>9,202</u> | <u>(2,649)</u> | <u>6,553</u> |
| Total support and revenue | <u>2,213,561</u> | <u>292,655</u> | <u>2,506,216</u> |
| Expenses | | | |
| Program services | 1,513,542 | 308,444 | 1,821,986 |
| Management and general | 133,758 | 535 | 134,293 |
| Fundraising | <u>346,800</u> | <u>9,522</u> | <u>356,322</u> |
| Total expenses | <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 | <u>1,114,417</u> | <u>495,552</u> | <u>1,609,969</u> |
| Net assets, end of year | <u><u>\$ 1,333,878</u></u> | <u><u>\$ 469,706</u></u> | <u><u>\$ 1,803,584</u></u> |

The accompanying notes are an integral part of these financial statements.

Special Olympics New Mexico, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

| | Program Services | Management and General | Fund- raising | Total |
|----------------------------------|---------------------|------------------------------|-------------------|---------------------|
| Salaries and wages | \$ 420,791 | \$ 93,849 | \$ 187,458 | \$ 702,098 |
| Program donated services | 508,428 | - | - | 508,428 |
| Program food and lodging | 296,243 | - | - | 296,243 |
| Other program | 220,019 | - | - | 220,019 |
| Special events | 65,727 | - | 97,371 | 163,098 |
| Benefits | 89,381 | 19,935 | 39,818 | 149,134 |
| Equipment and uniforms | 128,839 | - | - | 128,839 |
| Program awards and recognition | 105,143 | - | - | 105,143 |
| Fundraising | - | - | 97,059 | 97,059 |
| Office supplies | 44,019 | 5,690 | 7,196 | 56,905 |
| Rent and storage | 25,608 | 6,761 | 6,761 | 39,130 |
| Program facilities | 36,412 | - | - | 36,412 |
| Chapter assessment fees | 33,094 | - | - | 33,094 |
| Travel, meetings and conferences | 19,698 | 4,221 | 4,219 | 28,138 |
| Insurance | 15,794 | 1,755 | - | 17,549 |
| Professional services | 14,695 | 2,475 | - | 17,170 |
| Town meeting | 15,691 | - | - | 15,691 |
| Accounting services | - | 14,159 | - | 14,159 |
| Printing and postage | 8,127 | 2,709 | 2,709 | 13,545 |
| Other | 3,928 | 2,619 | - | 6,547 |
| Telephone | 3,224 | 1,290 | 1,933 | 6,447 |
| Depreciation | 3,135 | 1,045 | 1,045 | 5,225 |
| | <u>\$ 2,057,996</u> | <u>\$ 156,508</u> | <u>\$ 445,569</u> | <u>\$ 2,660,073</u> |

The accompanying notes are an integral part of these financial statements.

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

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

The accompanying notes are an integral part of these financial statements.

Special Olympics New Mexico, Inc.
Statements of Cash Flows
For the Years Ended December 31,

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 411,905 | \$ 193,615 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 5,225 | 5,396 |
| Donated stock | - | 1,061 |
| Net realized and unrealized gains on investments | (13,822) | 3,976 |
| Donated real estate | (189,785) | - |
| Change in assets and liabilities | | |
| Receivables | (101,712) | (78,873) |
| Inventory | 5,207 | (3,275) |
| Prepaid expense | (19,516) | (1,080) |
| Accounts payable | (11,369) | 8,831 |
| Accrued expenses | 3,943 | (23,471) |
| Deferred revenue | (19,700) | (30,800) |
| Total adjustments | <u>(341,529)</u> | <u>(118,235)</u> |
| Net cash provided by operating activities | <u>70,376</u> | <u>75,380</u> |
| Cash flows from investing activities | | |
| Purchases of investments | (259,793) | (68,224) |
| Sale of investments | 102,893 | - |
| Purchases of equipment | (5,920) | - |
| Net cash used by investing activities | <u>(162,820)</u> | <u>(68,224)</u> |
| Cash flows from financing activities | | |
| Principal payments on capital lease | (4,484) | (4,301) |
| Net cash used by financing activities | <u>(4,484)</u> | <u>(4,301)</u> |
| Net change in cash and cash equivalents | (96,928) | 2,855 |
| Cash and cash equivalents, beginning of year | <u>924,332</u> | 921,477 |
| Cash and cash equivalents, end of year | <u>\$ 827,404</u> | <u>\$ 924,332</u> |
| Supplemental cash flow information | | |
| Interest paid | <u>\$ 793</u> | <u>\$ 1,460</u> |

The accompanying notes are an integral part of these financial statements.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

1) Organization

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, SONM 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 2019, SONM offered 3,254 athletes 58 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 the State Basketball Tournament, Unified Team Bocce, and Level 2 Golf, all which take place at New Mexico State University. SONM’s State Bowling Tournament site is 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 2,325 Unified Partners who trained and competed in 2019. The total number of Athletes and Partners combined was 5,579.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

1) Organization — continued

At two of the State Competitions, SONM offers its Healthy Athlete Program, designed to help Special Olympics athletes improve their health, fitness and overall wellness. 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 2019, with the help of 211 volunteers, there were 567 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.

SONM 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.

2) **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements of SONM have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

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

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

2) Summary of Significant Accounting Policies — continued

Net Assets Without Donor Restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SONM. These net assets may be used at the discretion of the Program's management and the board of directors.

Net Assets With Donor Restriction: 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.

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.

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. SONM maintains cash deposits in bank checking and savings accounts which at times may exceed FDIC limits.

Receivables

Receivables are for grants, contracts and contributions. Receivables 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, 2019 and 2018. There was no bad debt expense in 2019 and 2018.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

2) Summary of Significant Accounting Policies — continued

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 value on the date of the donation. 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.

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 value. Investment gains and losses are included in the statement of activities.

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 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 \$121,246 and \$85,184 for the years ended December 31, 2019 and 2018, respectively.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

2) Summary of Significant Accounting Policies — continued

Support - 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 \$508,428 and \$498,529 in services provided by certified coaches and officials for the years ended December 31, 2019 and 2018, respectively.

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:

| <u>Expense</u> | <u>Allocation Method</u> |
|----------------------------------|--------------------------|
| Salaries and wages | Time and effort |
| Special events | Time and effort |
| Benefits | Time and effort |
| Office supplies | Time and effort |
| Rent and storage | Specific identification |
| Travel, meetings and conferences | Specific identification |

Advertising and Marketing

SONM expenses advertising costs as incurred. For 2019 and 2018, advertising expense was \$668 and \$493, respectively. There was no donated advertising in 2019 and 2018.

Income Taxes

SONM is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as an organization that is a public charity. SONM regularly evaluates activities as it relates to its tax exempt status. If SONM's activities are determined to be outside of its tax exempt status the potential exists for tax liabilities on those unrelated activities. SONM's open audit periods are for the years ended December 31, 2016 and thereafter.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

3) Receivables

Receivables consist of the following at December 31,:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------------|-------------------|
| State contract | \$ 100,000 | \$ 60,000 |
| Special Olympics International | 46,041 | 40,725 |
| Estate gift | 100,000 | 50,000 |
| Other | 28,016 | 20,266 |
| Telemarketing revenue | <u>416</u> | <u>1,770</u> |
| Total | <u>\$ 274,473</u> | <u>\$ 172,761</u> |

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, 2019 and 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 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
December 31, 2019 and 2018

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, 2019 and 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 \$28,077 and \$6,553 for the years ended December 31, 2019 and 2018, respectively and are included in the statements of activities.

Assets measured at fair value on a recurring basis at December 31, 2019 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|-------------------|------------------|-------------|-------------------|
| Certificates of deposit | \$ 182,682 | \$ - | \$ - | \$ 182,682 |
| Money market funds | 281,531 | - | - | 281,531 |
| Fixed income funds | 360,815 | - | - | 360,815 |
| Exchange traded funds | 54,398 | - | - | 54,398 |
| Annuity | - | 28,095 | - | 28,095 |
| Investments at fair value | <u>\$ 879,426</u> | <u>\$ 28,095</u> | <u>\$ -</u> | <u>\$ 907,521</u> |

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

4) Fair Value Measurement — continued

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

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|-------------------|-------------|-------------|-------------------|
| 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> |

5) **Property and Equipment**

Property and equipment consist of the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------------------|------------------|
| Office equipment and software | \$ 171,630 | \$ 165,710 |
| Program equipment | <u>124,847</u> | <u>124,847</u> |
| | 296,477 | 290,557 |
| Less accumulated depreciation | <u>(285,929)</u> | <u>(280,704)</u> |
| Total | <u>\$ 10,548</u> | <u>\$ 9,853</u> |

Depreciation for 2019 and 2018 was \$5,225 and \$5,396, respectively.

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. 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, 2019 and 2018.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

6) Endowment Fund Investments and Spending Policy — continued

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.

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 restriction 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

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

6) Endowment Fund Investments and Spending Policy — continued

Endowment net assets consist of the following at December 31, 2019:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|------------------------------|---------------------------|------------|
| For the year ended December 31, 2019 | | | |
| Board designated quasi-endowment | \$ 668,909 | \$ - | \$ 668,909 |
| For the year ended December 31, 2018 | | | |
| Board designated quasi-endowment | \$ 602,193 | \$ - | \$ 602,193 |

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|------------------------------|---------------------------|------------|
| For the year ended December 31, 2019 | | | |
| Endowment net assets, December 31, 2018 | \$ 602,193 | \$ - | \$ 602,193 |
| Investment return: | | | |
| Investment income | 11,972 | - | 11,972 |
| Net appreciation (realized and unrealized) | 2,197 | - | 2,197 |
| Total investment return | 14,169 | - | 14,169 |
| Annual board designated contribution (3%) | 52,547 | - | 52,547 |
| Endowment net assets, December 31, 2019 | \$ 668,909 | \$ - | \$ 668,909 |
| For the year ended December 31, 2018 | | | |
| Endowment net assets, December 31, 2017 | \$ 545,561 | \$ - | \$ 545,561 |
| Investment return: | | | |
| Investment income | 9,258 | - | 9,258 |
| Net depreciation (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 | \$ 602,193 | \$ - | \$ 602,193 |

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

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019, and 2018, no distributions were requested from the fund. The balance of the endowment fund held by ACF totaled \$91,634 and \$79,826 as of December 31, 2019, and 2018, respectively. 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 years ended December 31, 2019 and 2018.

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 \$17,224 and \$14,043 for the years ended December 31, 2019 and 2018, respectively.

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 \$17,350 and \$14,350 at December 31, 2019 and 2018, respectively. Depreciation expense for the years ended December 31, 2019 and 2018 was \$3,000 and \$4,200, respectively.

The capital lease obligation at December 31, 2019 was \$3,650 payable in monthly installments of \$480, including interest at 13.22%, due August 2020. Therefore, the lease will mature in 2020.

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 \$33,094 and \$30,195 for 2019 and 2018, respectively, for program support and assessments.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

10) Related Party Transactions - continued

SONM has a direct mail and telemarketing agreement with SOI to raise funds and increase public awareness of SONM's mission and activities. This resulted in contributions of \$124,545 and \$159,557 for the years ended December 31, 2019 and 2018, respectively. SONM had a receivable from SOI of \$46,041 and \$40,725 at December 31, 2019 and 2018, respectively.

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 \$53,384 and \$58,786 for the years ended December 31, 2019 and 2018, respectively. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$30,925 and \$32,663 to the professional marketing agency in 2019 and 2018, 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 other program and outreach are \$17,009 and \$17,965 in 2019 and 2018, respectively. Joint costs allocated to fundraising expenses are \$13,916 and \$14,698 in 2019 and 2018, respectively.

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, 2019 and 2018, SONM's uninsured cash balances with financial institutions totaled \$229,618 and \$424,332, respectively.

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, 2019 and 2018, all of SONM's balances with investment brokerage firms were insured.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

13) Operating Lease

SONM leases office space under an operating lease. Lease expense for the office space was \$31,020 for each of the years ended December 31, 2019 and 2018. SONM's office space lease ends in June 2020. Minimum future lease expense is \$16,200 in 2020. SONM has an option to renew the lease for one year at current market rates.

14) Availability of Financial Assets and Liquidity

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

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 827,404 | \$ 924,332 |
| Receivables | 274,473 | 172,761 |
| Investments | <u>907,521</u> | <u>736,799</u> |
| Total financial assets | 2,009,398 | 1,833,892 |
| Less amounts not available for general expenditure within one year: | | |
| Quasi endowment established by the Board | <u>668,909</u> | <u>602,193</u> |
| Financial assets available to meet cash needs for expenses within one year | <u>\$ 1,340,489</u> | <u>\$ 1,231,699</u> |

SONM's current goal is generally to maintain financial assets to meet six months' worth of operating expenses (approximately \$1,075,000). The future goal is to maintain financial assets to meet one year's worth of operating expenses (approximately \$2.1 million). As part of SONM's current and future liquidity plan each month, 3% of revenues in excess of expenditures are invested in board designated investments.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

15) Net Assets With Donor Restriction

Net assets with donor restriction consist of a contribution receivable (time restriction) of \$128,015 and an amount restricted to support a future special event of \$17,500. There were no net assets released from restriction during the year ended December 31, 2019. There were no net assets with donor restriction as of December 31, 2018 and no net assets released from restriction during the year ended December 31, 2018.

16) Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position 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 statement of financial position, 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 statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. SONM has evaluated subsequent events through June 17, 2020.

At the time of this financial statement's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The significance and the duration of the pandemic's financial impact are indeterminable, and as such, this financial statement does not consider the potential future financial implications of the pandemic.