



**LOFTIS & LOVATO**

— G R O U P —

CERTIFIED PUBLIC ACCOUNTANTS

***Special  
Olympics  
New Mexico***



Financial Statements  
and  
Independent Auditor's Report

December 31, 2020 and 2019

# Special Olympics New Mexico, Inc.

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## Independent Auditor's Report

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

### **Opinion**

We have audited the accompanying financial statements of Special Olympics New Mexico, Inc. (a nonprofit organization) (SONM), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SONM as of December 31, 2020 and 2019, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SONM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SONM's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SONM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SONM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Loftis & Lovato Group*

Albuquerque, New Mexico  
March 26, 2021

## Financial Statements

**Special Olympics New Mexico, Inc.**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,050,232	\$ 827,404
Receivables	226,002	274,473
Inventory	13,305	-
Assets held for sale	170,000	189,785
Prepaid expense	5,613	28,132
Total current assets	1,465,152	1,319,794
Investments	919,617	907,521
Property and equipment, net	24,731	10,548
Total assets	\$ 2,409,500	\$ 2,237,863
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 7,117	\$ 4,132
Accrued expenses	11,389	14,592
Paycheck Protection Program	138,289	-
Capital lease obligation - current	4,228	3,650
Total current liabilities	161,023	22,374
Capital lease obligation - long term	15,125	-
Total liabilities	176,148	22,374
Net assets		
Without donor restriction		
Undesignated	1,492,420	1,401,065
Board designated quasi-endowment	675,199	668,909
With donor restriction	65,733	145,515
Total net assets	2,233,352	2,215,489
Total liabilities and net assets	\$ 2,409,500	\$ 2,237,863

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, 2020**

	Without Donor Restriction		With Donor Restriction	
	Chapter	Area and Local	Chapter	Total
<b>Support and Revenue</b>				
Contributions	\$ 661,774	\$ 132,812	\$ 65,733	\$ 860,319
State contract	250,000	-	-	250,000
Special events	238,162	-	-	238,162
Direct marketing revenue	124,415	-	-	124,415
Program sponsor and registration	19,953	-	-	19,953
Net investment income	3,983	6,606	-	10,589
Other income	9,555	-	-	9,555
Net assets released from restriction	145,515	-	(145,515)	-
Total support and revenue	<u>1,453,357</u>	<u>139,418</u>	<u>(79,782)</u>	<u>1,512,993</u>
<b>Expenses</b>				
Program services	931,607	86,636	-	1,018,243
Management and general	154,160	802	-	154,962
Fundraising	319,125	2,800	-	321,925
Total expenses	<u>1,404,892</u>	<u>90,238</u>	<u>-</u>	<u>1,495,130</u>
Change in net assets	48,465	49,180	(79,782)	17,863
Net assets, beginning of year	<u>1,516,661</u>	<u>553,313</u>	<u>145,515</u>	<u>2,215,489</u>
<b>Net assets, end of year</b>	<u>\$ 1,565,126</u>	<u>\$ 602,493</u>	<u>\$ 65,733</u>	<u>\$ 2,233,352</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, 2019**

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

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, 2020**

	Program Services	Management and General	Fund- raising	Total
Salaries and wages	\$ 484,570	\$ 82,172	\$ 175,329	\$ 742,071
Benefits	91,881	15,581	33,245	140,707
Special events	51,549	-	76,366	127,915
Equipment and uniforms	70,975	-	-	70,975
Program food and lodging	64,300	-	-	64,300
Program donated services	50,328	-	-	50,328
Rent and storage	27,597	4,246	10,614	42,457
Office supplies	26,592	4,091	10,228	40,911
Program awards and recognition	34,860	-	-	34,860
Printing and postage	18,775	6,259	6,259	31,293
Chapter assessment fees	30,950	-	-	30,950
Other program	25,627	-	-	25,627
Loss on sale of asset	-	19,785	-	19,785
Insurance	16,974	1,886	-	18,860
Accounting services	-	14,338	-	14,338
Professional services	9,495	2,374	-	11,869
Telephone	4,420	1,474	1,473	7,367
Fundraising	-	-	6,872	6,872
Depreciation	4,119	1,372	1,373	6,864
Other	2,077	1,384	-	3,461
Travel, meetings and conferences	3,154	-	166	3,320
	<u>\$ 1,018,243</u>	<u>\$ 154,962</u>	<u>\$ 321,925</u>	<u>\$ 1,495,130</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
Benefits	89,381	19,935	39,818	149,134
Special events	65,727	-	97,371	163,098
Equipment and uniforms	128,839	-	-	128,839
Program food and lodging	296,243	-	-	296,243
Program donated services	508,428	-	-	508,428
Rent and storage	25,608	6,761	6,761	39,130
Office supplies	44,019	5,690	7,196	56,905
Program awards and recognition	105,143	-	-	105,143
Printing and postage	8,127	2,709	2,709	13,545
Chapter assessment fees	33,094	-	-	33,094
Other program	220,019	-	-	220,019
Insurance	15,794	1,755	-	17,549
Accounting services	-	14,159	-	14,159
Professional services	14,695	2,475	-	17,170
Telephone	3,224	1,290	1,933	6,447
Fundraising	-	-	97,059	97,059
Depreciation	3,135	1,045	1,045	5,225
Other	3,928	2,619	-	6,547
Travel, meetings and conferences	19,698	4,221	4,219	28,138
Town meeting	15,691	-	-	15,691
Program facilities	36,412	-	-	36,412
	<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.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Cash received from contributions and grants	\$ 977,387	1,712,488
Cash received from special events	238,162	410,112
Cash received from state contract	200,000	280,000
Cash received from refundable advances - Paycheck Protection Program	138,289	-
Cash received from direct marketing	125,603	173,966
Cash received from program revenue	19,953	147,420
Cash received from other	8,027	22,973
Cash paid to employees	(885,981)	(851,232)
Cash paid to suppliers	(593,289)	(1,825,351)
Net cash provided by operating activities	228,151	70,376
<b>Cash flows from investing activities</b>		
Purchases of investments	(3,098)	(259,793)
Sale of investments	-	102,893
Purchases of equipment	-	(5,920)
Net cash used by investing activities	(3,098)	(162,820)
<b>Cash flows from financing activities</b>		
Principal payments on capital lease	(2,225)	(4,484)
Net cash used by financing activities	(2,225)	(4,484)
Net increase (decrease) in cash and cash equivalents	222,828	(96,928)
Cash and cash equivalents, beginning of year	827,404	924,332
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,050,232</b>	<b>\$ 827,404</b>

During the year ended December 31, 2020, SONM acquired a copier through a capital lease. The capital lease obligation was \$22,096 at December 31, 2020.

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

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**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.

Due to the COVID-19 pandemic, there were no significant competition opportunities during the year ended December 31, 2020

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.

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

1) Organization — continued

At two of the State Competitions, SONM offers its Healthy Athletes 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 425 volunteers, there were 1,245 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.

Once the COVID-19 outbreak began in March of 2020, SONM changed the way we offered our services in order to do everything possible to protect our athletes from exposure and at the same time, equip them with at-home resources to help them not only stay active but engaged. Because people with intellectual disabilities are at a higher risk of contracting respiratory diseases and because 4 out of 5 healthcare professionals aren't trained to care for people with intellectual disabilities, promoting fitness, wellness, and exercise from their homes became our priority. In 2020 SONM offered three Virtual Games and 59 fitness events. Over 1400 athletes participated in our Virtual Competitions, which included Track and Field, Volleyball, Bocce, Equestrian, Basketball, Bowling, Golf, Fit 5, and other Fitness Challenges.

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**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:

***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.

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents

For purposes of the statements 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.

Inventory

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

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, 2020 and 2019. There was no bad debt expense in 2020 and 2019.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are capitalized at their fair value on the date of 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 statements of activities.

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

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 restriction or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restriction. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction 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 restriction, 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 restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction.

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 restriction if the donor has restricted the donated assets to a specific purpose; otherwise, the contributions are recorded as net assets without donor restriction. The total of donated materials and noncash donations were \$9,483 and \$121,246 for the years ended December 31, 2020 and 2019, respectively. 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 \$50,328 and \$508,428 in services provided by certified coaches and officials for the years ended December 31, 2020 and 2019, respectively.



**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

2) Summary of Significant Accounting Policies — continued

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.

Significant expenses that are allocated include the following:

<b>Expense</b>	<b>Allocation Method</b>
Salaries and wages	Time and effort
Benefits	Time and effort
Special events	Time and effort
Rent and storage	Specific identification
Office supplies	Time and effort
Printing and postage	Specific identification

Advertising and Marketing

SONM expenses advertising costs as incurred. For 2020 and 2019, advertising expense was \$697 and \$668, respectively. There was no donated advertising in 2020 and 2019.

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, 2020 and 2019**

**3) Receivables**

Receivables consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
State contract	\$ 150,000	\$ 100,000
Special Olympics International	45,269	46,041
Other	30,733	28,016
Estate gift	-	100,000
Telemarketing revenue	-	416
Total	<u>\$ 226,002</u>	<u>\$ 274,473</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, 2020 and 2019.

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, 2020 and 2019**

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, 2020 and 2019 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 an 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 \$9,555 and \$28,077 for the years ended December 31, 2020 and 2019, respectively and are included in the statements of activities.

Assets measured at fair value on a recurring basis at December 31, 2020 are as follows:

2020	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 592,433	\$ -	\$ -	\$ 592,433
Money market funds	239,628	-	-	239,628
Exchange traded funds	59,461	-	-	59,461
Annuity	-	28,095	-	28,095
Investments at fair value	<u>\$ 891,522</u>	<u>\$ 28,095</u>	<u>\$ -</u>	<u>\$ 919,617</u>

**Special Olympics New Mexico, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

4) Fair Value Measurement — continued

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

2019

	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>

5) **Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Office equipment and software	<b>\$ 172,726</b>	\$ 171,630
Program equipment	<b>124,847</b>	124,847
	<b>297,573</b>	296,477
Less accumulated depreciation	<b><u>(272,842)</u></b>	<u>(285,929)</u>
Total	<b><u>\$ 24,731</u></b>	<b><u>\$ 10,548</u></b>

Depreciation for 2020 and 2019 was \$6,864 and 5,225, 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, 2020 and 2019.

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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 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

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6) Endowment Fund Investments and Spending Policy — continued

Endowment net assets consist of the following at December 31, 2020:

	Without Donor Restriction	With Donor Restriction	Total
<b>For the year ended December 31, 2020</b>			
Board designated quasi-endowment	\$ 675,199	\$ -	\$ 675,199
<b>For the year ended December 31, 2019</b>			
Board designated quasi-endowment	\$ 668,909	\$ -	\$ 668,909

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
<b>For the year ended December 31, 2020</b>			
Endowment net assets, December 31, 2019	\$ 668,909	\$ -	\$ 668,909
Investment return:			
Investment income	3,004	-	3,004
Net appreciation (realized and unrealized)	3,286	-	3,286
Total investment return	6,290	-	6,290
Annual board designated contribution (3%)	-	-	-
Endowment net assets, December 31, 2020	\$ 675,199	\$ -	\$ 675,199
<b>For the year ended December 31, 2019</b>			
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

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.

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**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, 2020, and 2019, no distributions were requested from the fund. The balance of the endowment fund held by ACF totaled \$100,791 and \$91,634 as of December 31, 2020, and 2019, 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, 2020 and 2019.

**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 \$19,500 and 17,224 for the years ended December 31, 2020 and 2019, respectively.

**9) Capital Lease Obligation**

SONM entered into a long-term capital lease for a copier in April 2020. The property under capital lease has an original cost of \$22,096 and is included in office equipment and software net of the accumulated depreciation of \$2,578 at December 31, 2020. Depreciation expense for the year ended December 31, 2020 was \$2,578.

Capital lease obligation consists of the following at December 31, 2020:

Capital lease obligation to finance company, payable in monthly installments of \$400, including interest at 3.25%, due April 2025	<u>\$ 19,353</u>
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Maturities of the capital lease obligation as per the lease agreement are as follows:

Year ending December 31,	
2021	4,228
2022	4,367
2023	4,511
2024	4,660
2025	<u>1,587</u>
	<u><u>19,353</u></u>

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**10) Related Party Transactions**

SONM is accredited by Special Olympics International, Inc. (SOI) to conduct sports training and competition activities within New Mexico. SONM made payments to SOI of \$30,950 and \$33,094 for 2020 and 2019, respectively, for program support and assessments.

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 \$124,190 and \$124,545 for the years ended December 31, 2020 and 2019, respectively. SONM had a receivable from SOI of \$45,269 and \$46,041 at December 31, 2020 and 2019, respectively.

**11) Direct Marketing Contributions**

SONM contracted in 2019 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 during 2019. However, these campaigns were not renewed for the year ended December 31, 2020. These contributions are included in direct marketing revenues on the statements of activities. SONM incurred costs of \$30,925 to the professional marketing agency in 2019.

The majority of the effort by the telemarketing contractor is to raise awareness about SONM, encourage volunteer participation, and seek out potential athletes. There were no joint costs allocated to program expenses as other program and outreach for the year ended December 31, 2020. On the statement of functional expenses, the joint costs allocated to program expenses as other program and outreach were \$17,009 2019. There were no joint costs allocated to fundraising expenses for 2020. Joint costs allocated to fundraising expenses were \$13,196 in 2019.

**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, 2020 and 2019, SONM's uninsured cash balances with financial institutions totaled \$386,796 and \$229,618, 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, 2020 and 2019, all of SONM's balances with investment brokerage firms were insured.



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**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, 2020 and 2019. SONM's office space lease ends in June 2021. Minimum future lease expense is \$32,400 in 2021. 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>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	<b>\$ 1,050,232</b>	\$ 827,404
Receivables	<b>226,002</b>	274,473
Investments	<b><u>919,617</u></b>	<u>907,521</u>
Total financial assets	<b>2,195,851</b>	2,009,398
Less amounts not available for general expenditure within one year:		
Quasi endowment established by the Board	<b><u>672,134</u></b>	<u>668,909</u>
Financial assets available to meet cash needs for expenses within one year	<b><u>\$ 1,523,717</u></b>	<b><u>\$ 1,340,489</u></b>

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.

**15) Net Assets With Donor Restriction**

Net assets with donor restriction consist of a contribution receivable (time restriction) of \$30,733 and two grant amounts restricted for \$15,000 and \$20,000. Net assets released from restriction were \$17,500 for a special event and \$128,015 for a contribution receivable. There were no net assets released from restriction during the year ended December 31, 2019.

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**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 March 26, 2021.

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.

**17) New Accounting Pronouncements**

Revenue from Contracts with Customers – SONM has adopted Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended. Analysis of various provisions of this standard resulted in no significant changes in the way SONM recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

SONM has a significant contract to provide marketing for the state of New Mexico. Revenue related to this contract is recognized as marketing at the various SONM programs and events is provided. Payment is received after services are provided. Receivables related to the contract are included in footnote 3.

Contributions Received and Contributions Made – SONM has adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard.