



LOFTIS & LOVATO

— G R O U P —

CERTIFIED PUBLIC ACCOUNTANTS

***Special
Olympics
New Mexico***



Financial Statements
and
Independent Auditor's Report

December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 opinions. 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 audits.

Loftis & Lovato Group

Albuquerque, New Mexico
March 25, 2022

Financial Statements

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

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,707,787	\$ 1,050,232
Receivables	89,758	226,002
Inventory	-	13,305
Assets held for sale	-	170,000
Prepaid expense	<u>10,353</u>	<u>5,613</u>
Total current assets	1,807,898	1,465,152
Investments	935,898	919,617
Property and equipment, net	<u>20,312</u>	<u>24,731</u>
Total assets	<u>\$ 2,764,108</u>	<u>\$ 2,409,500</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,646	\$ 7,117
Accrued expenses	11,291	11,389
Deferred revenue	29,565	-
Refundable advances - Paycheck Protection Program	-	138,289
Capital lease obligation - current	<u>4,715</u>	<u>4,228</u>
Total current liabilities	48,217	161,023
Capital lease obligation - long term	<u>10,758</u>	<u>15,125</u>
Total liabilities	<u>58,975</u>	<u>176,148</u>
Net assets		
Without donor restriction		
Undesignated	2,029,753	1,492,420
Board designated quasi-endowment	675,380	675,199
With donor restriction	<u>-</u>	<u>65,733</u>
Total net assets	<u>2,705,133</u>	<u>2,233,352</u>
Total liabilities and net assets	<u>\$ 2,764,108</u>	<u>\$ 2,409,500</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, 2021

	Without Donor Restriction		With Donor Restriction	
	Area and			
	Chapter	Local	Chapter	Total
Support and Revenue				
Contributions	\$ 753,013	\$ 139,946	\$ -	\$ 892,959
State contract	350,000	-	-	350,000
Special events	232,912	86,888	-	319,800
Paycheck Protection Program - forgiveness	276,578	-	-	276,578
Direct marketing revenue	153,395	-	-	153,395
Program sponsor and registration	35,764	-	-	35,764
Net investment income	8,120	9,057	-	17,177
Other income	12,372	-	-	12,372
Net assets released from restriction	65,733	-	(65,733)	-
Total support and revenue	1,887,887	235,891	(65,733)	2,058,045
Expenses				
Program services	888,353	161,549	-	1,049,902
Management and general	168,771	1,092	-	169,863
Fundraising	365,188	1,311	-	366,499
Total expenses	1,422,312	163,952	-	1,586,264
Change in net assets	465,575	71,939	(65,733)	471,781
Net assets, beginning of year	1,565,126	602,493	65,733	2,233,352
Net assets, end of year	\$ 2,030,701	\$ 674,432	\$ -	\$ 2,705,133

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
Support and Revenue				
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>
Expenses				
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	1,516,661	553,313	145,515	2,215,489
Net assets, end of year	<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 Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Management and General	Fund- raising	Total
Salaries and wages	\$ 427,287	\$ 97,622	\$ 229,461	\$ 754,370
Employee benefits	73,681	19,934	46,855	140,470
Special events	54,774	-	66,946	121,720
Program donated services	70,519	-	-	70,519
Program awards and recognition	68,132	-	-	68,132
Equipment and uniforms	64,919	-	-	64,919
Other program	59,003	-	-	59,003
Outreach	48,681	-	-	48,681
Program food and lodging	48,104	-	-	48,104
Rent and storage	35,311	4,527	5,433	45,271
Office supplies	28,713	3,681	4,417	36,811
Chapter assessment fees	23,408	-	-	23,408
Insurance	16,859	1,874	-	18,733
Accounting services	-	16,940	-	16,940
Expenses from sale of asset	-	13,167	-	13,167
Fundraising	-	-	9,038	9,038
Telephone	5,032	1,677	1,677	8,386
Professional services	-	8,035	-	8,035
Printing and postage	4,564	1,522	1,522	7,608
Other	6,311	-	-	6,311
Program facilities	6,892	-	-	6,892
Travel, meetings and conferences	5,061	-	266	5,327
Depreciation	2,651	884	884	4,419
	<u>\$ 1,049,902</u>	<u>\$ 169,863</u>	<u>\$ 366,499</u>	<u>\$ 1,586,264</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, 2020

	Program Services	Management and General	Fund- raising	Total
Salaries and wages	\$ 484,570	\$ 82,172	\$ 175,329	\$ 742,071
Employee benefits	91,881	15,581	33,245	140,707
Special events	51,549	-	76,366	127,915
Program donated services	50,328	-	-	50,328
Program awards and recognition	34,860	-	-	34,860
Equipment and uniforms	70,975	-	-	70,975
Other program	25,627	-	-	25,627
Program food and lodging	64,300	-	-	64,300
Rent and storage	27,597	4,246	10,614	42,457
Office supplies	26,592	4,091	10,228	40,911
Chapter assessment fees	30,950	-	-	30,950
Insurance	16,974	1,886	-	18,860
Accounting services	-	14,338	-	14,338
Loss on sale of asset	-	19,785	-	19,785
Fundraising	-	-	6,872	6,872
Telephone	4,420	1,474	1,473	7,367
Professional services	9,495	2,374	-	11,869
Printing and postage	18,775	6,259	6,259	31,293
Other	2,077	1,384	-	3,461
Travel, meetings and conferences	3,154	-	166	3,320
Depreciation	4,119	1,372	1,373	6,864
	<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.
Statements of Cash Flows
For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from contributions and grants	\$ 908,828	977,387
Cash received from special events	319,800	238,162
Cash received from state contract	500,000	200,000
Cash received from refundable advances - Paycheck Protection Program	138,289	138,289
Cash received from direct marketing	123,770	125,603
Cash received from program revenue	65,329	19,953
Cash received from other	23,347	8,027
Cash paid to employees	(894,939)	(885,981)
Cash paid to suppliers	(512,910)	(593,289)
Net cash provided by operating activities	<u>671,514</u>	<u>228,151</u>
Cash flows from investing activities		
Purchases of investments	(10,079)	(3,098)
Net cash used by investing activities	<u>(10,079)</u>	<u>(3,098)</u>
Cash flows from financing activities		
Principal payments on capital lease	(3,880)	(2,225)
Net cash used by financing activities	<u>(3,880)</u>	<u>(2,225)</u>
Net increase in cash and cash equivalents	657,555	222,828
Cash and cash equivalents, beginning of year	<u>1,050,232</u>	<u>827,404</u>
Cash and cash equivalents, end of year	<u>\$ 1,707,787</u>	<u>\$ 1,050,232</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 471,781</u>	<u>\$ 17,863</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,419	6,864
Net realized and unrealized gains on investments	(6,202)	(8,998)
(Gain) loss on sale of asset	-	(3,119)
Paycheck Protection Program forgiveness	(138,289)	-
Donated real estate adjustment	-	19,785
Change in assets and liabilities		
Receivables	136,244	48,471
Inventory	13,305	(13,305)
Assets held for sale	170,000	-
Prepaid expense	(4,740)	22,519
Accounts payable	(4,471)	2,985
Accrued expenses	(98)	(3,203)
Refundable advances - Paycheck Protection Program	-	138,289
Deferred revenue	29,565	-
Total adjustments	<u>199,733</u>	<u>210,288</u>
Net cash provided by operating activities	<u>\$ 671,514</u>	<u>\$ 228,151</u>

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

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

1) Organization

Special Olympics New Mexico, Inc. (SONM) was incorporated on September 6, 1977. SONM provides year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities (ID). SONM strives to transform lives through sport, build inclusive communities and improve the quality of life for our athletes.

The obvious benefits of participating in Special Olympics include health promotion, disease reduction, personal growth, and character development. Unlike other sports organizations, SONM also impacts the community by focusing efforts on social problems associated with intolerance, stigma and injustice. To its volunteers, community partners, schools, and all who walk into a Special Olympics competition or event: engaging with Special Olympics athletes is a transformative experience. We offer an environment of diversity, inclusion, equity and acceptance of all people. Special Olympics is a force that teaches acceptance, respect, and unity through the power of sport.

In 2021, SONM continued to offer its athletes virtual Games, virtual health & wellness programs, and held 2 in-person competitions. With a “Game On!” theme, 880 athletes, coaches and unified partners competed in Golf, Unified Softball, Bocce and Bowling. Protocols established by Special Olympics Inc. were implemented to ensure each person attending and participating in-person was safe. People with ID have a 2-5 times higher health risk than those without disabilities, so it is no surprise that participation numbers declined. Despite the decline in participants, being together again brought an overwhelming and authentic sense of joy that lasted well beyond the competition weekends.

The impact of Covid across the Special Olympics movement in 2021 was measurable: We had a 63% decline in athlete participation, a 53% loss of volunteer participation and a 48% loss of coach participation. It’s challenging to predict if these losses will be temporary, and we realize that “building back” will take time and resources. Due to the long period of isolation that many Special Olympics athletes have endured, the decline in the physical and mental health of our athletes is visible. Many Special Olympics athletes have not received health screenings or health care for over 2 years. It’s possible that returning to in-person training and competitions could be the “best medicine” for Special Olympics athletes physical and emotional health.

SONM’s strategic priorities through 2022 and beyond include recruiting and training coaches and volunteers, the implementation of return-to-play strategies at the local and state levels and the continuation of health and wellness programming for athletes who choose to participate virtually.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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 SONM'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 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.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2) Summary of Significant Accounting Policies — continued

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, 2021 and 2020. There was no bad debt expense in 2021 and 2020.

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 is 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. Net investment gains and losses are included in the statements of activities.

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, 2018 and thereafter.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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 \$4,278 and \$9,483 for the years ended December 31, 2021 and 2020, 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 \$69,672 and \$50,328 in services provided by certified coaches and officials for the years ended December 31, 2021 and 2020, respectively.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2) Summary of Significant Accounting Policies — continued

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires SONM to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which SONM expects to be entitled in exchange for those goods or services.

The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements, changes in judgements, and assets recognized from the costs to obtain or fulfill a contract.

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 three.

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:

Expense	Allocation Method
Salaries and wages	Time and effort
Employee benefits	Time and effort
Special events	Time and effort
Rent and storage	Specific identification
Office supplies	Time and effort
Insurance	Specific identification

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

3) Receivables

Receivables consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Special Olympics International	\$ 74,894	\$ 45,269
Other	14,864	30,733
State contract	-	150,000
Total	<u>\$ 89,758</u>	<u>\$ 226,002</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, 2021 and 2020.

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, 2021 and 2020

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, 2021 and 2020 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 \$17,177 and \$10,859 for the years ended December 31, 2021 and 2020, respectively and are included in the statements of activities.

Assets measured at fair value on a recurring basis at December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 188,384	\$ -	\$ -	\$ 188,384
Money market funds	651,697	-	-	651,697
Exchange traded funds	66,036	-	-	66,036
Annuity	-	29,781	-	29,781
Investments at fair value	<u>\$ 906,117</u>	<u>\$ 29,781</u>	<u>\$ -</u>	<u>\$ 935,898</u>

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

4) Fair Value Measurement — continued

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

	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>

5) **Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Office equipment and software	\$ 172,726	\$ 172,726
Program equipment	<u>124,847</u>	<u>124,847</u>
	297,573	297,573
Less accumulated depreciation	<u>(277,261)</u>	<u>(272,842)</u>
Total	<u>\$ 20,312</u>	<u>\$ 24,731</u>

Depreciation for 2021 and 2020 was \$4,419 and 6,864, respectively.

6) **Board Designated Quasi-Endowment**

The SONM quasi-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. The boards policy is to contribute 3% of total support on an annual basis. At December 31, 2021 and 2020, the board designated balance was \$675,380 and \$675,199, respectively.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021, and 2020, no distributions were requested from the fund, however for the year ended December 31, 2021, there was a grant awarded for \$6,407. The balance of the endowment fund held by ACF totaled \$111,061 and \$100,791 at December 31, 2021 and 2020, 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, 2021 and 2020.

8) Retirement Plan

SONM has a defined contribution 403(b) Plan (the “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 approximately \$19,500 for each of the years ended December 31, 2021 and 2020.

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 \$6,997 at December 31, 2021. Capital lease obligation consists of the following at December 31,:

	2021	2020
Capital lease obligation to finance company, payable in monthly installments of \$400, including interest at 3.25%, due April 2025	<u>\$ 15,473</u>	<u>\$ 19,353</u>

Maturities of the capital lease obligation as per the lease agreement are as follows:

Year ending December 31,	
2022	\$ 4,715
2023	4,511
2024	4,660
2025	<u>1,587</u>
	<u>\$ 15,473</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 \$23,408 and \$30,950 for 2021 and 2020, 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 \$153,395 and \$124,190 for the years ended December 31, 2021 and 2020, respectively. SONM had a receivable from SOI of \$74,894 and \$45,269 at December 31, 2021 and 2020, respectively.

11) Net Assets With Donor Restriction

There were no net assets with donor restriction at December 31, 2021. Net assets released from restriction during the year ended December 31, 2021 was \$65,733 for a contribution receivable of \$30,733 and two grants of \$15,000 and \$20,000. Net assets with donor restriction consist of, at December 31, 2020, a contribution receivable (time restriction) of \$30,733 and two grant amounts restricted for \$15,000 and \$20,000. Net assets released from restriction, as of December 31, 2020, were \$17,500 for a special event and \$128,015 for a contribution receivable.

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, 2021 and 2020, SONM's uninsured cash balances with financial institutions totaled \$1,095,830 and \$391,320, 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, 2021 and 2020, all of SONM's balances with investment brokerage firms were insured.

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, 2021 and 2020. SONM's office space lease ends in June 2022. Minimum future lease expense is \$32,400 for 2022. SONM has an option to renew the lease for one year at current market rates.

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14) Availability of Financial Assets and Liquidity

The following represents SONM’s financial assets at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,707,787	\$ 1,050,232
Receivables	89,758	226,002
Investments	<u>935,898</u>	<u>919,617</u>
Total financial assets	2,733,443	2,195,851
Less amounts not available for general expenditure within one year:		
Quasi endowment established by the Board	<u>675,380</u>	<u>672,134</u>
Financial assets available to meet cash needs for expenses within one year	<u>\$ 2,058,063</u>	<u>\$ 1,523,717</u>

SONM’s current goal is generally to maintain financial assets to meet six months’ worth of operating expenses (approximately \$1,000,000).

15) 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 25, 2022.

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.