



LOFTIS & LOVATO

— G R O U P —

CERTIFIED PUBLIC ACCOUNTANTS

***Special
Olympics***
New Mexico



Financial Statements
and
Independent Auditor's Report

December 31, 2022 and 2021

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, 2022, and 2021, 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, 2022, and 2021, 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 20, 2023

Financial Statements

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

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,739,031	\$ 1,707,787
Receivables	55,392	89,758
Prepaid expense	14,220	10,353
Total current assets	1,808,643	1,807,898
Investments	974,941	935,898
Property and equipment, net	12,258	20,312
Total assets	\$ 2,795,842	\$ 2,764,108
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ -	\$ 2,646
Accrued expenses	19,416	11,291
Deferred revenue	2,500	29,565
Finance lease liability - current	4,511	4,715
Total current liabilities	26,427	48,217
Finance lease liability - long term	6,247	10,758
Total liabilities	32,674	58,975
Net assets		
Without donor restriction		
Undesignated	1,879,633	2,029,753
Board designated quasi-endowment	883,535	675,380
Total net assets	2,763,168	2,705,133
Total liabilities and net assets	\$ 2,795,842	\$ 2,764,108

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, 2022

	Without Donor Restriction		
	Chapter	Area and Local	Total
Support and Revenue			
Contributions	\$ 744,069	\$ 243,420	\$ 987,489
In-kind	502,980	-	502,980
State contract	500,000	-	500,000
Special events	332,484	136,737	469,221
Direct marketing revenue	131,868	-	131,868
Program sponsor and registration	138,684	-	138,684
Other income	44,556	-	44,556
Net investment loss	6,145	(7,332)	(1,187)
Total support and revenue	<u>2,400,786</u>	<u>372,825</u>	<u>2,773,611</u>
Expenses			
Program services	1,748,863	307,316	2,056,179
Management and general	178,575	107	178,682
Fundraising	470,085	10,630	480,715
Total expenses	<u>2,397,523</u>	<u>318,053</u>	<u>2,715,576</u>
Change in net assets	3,263	54,772	58,035
Net assets, beginning of year	<u>2,030,701</u>	<u>674,432</u>	<u>2,705,133</u>
Net assets, end of year	<u>\$ 2,033,964</u>	<u>\$ 729,204</u>	<u>\$ 2,763,168</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	\$ 682,567	\$ 139,946	\$ -	\$ 822,513
In-kind	70,446	-	-	70,446
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	<u>1,887,887</u>	<u>235,891</u>	<u>(65,733)</u>	<u>2,058,045</u>
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	<u>1,422,312</u>	<u>163,952</u>	<u>-</u>	<u>1,586,264</u>
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	<u>\$ 2,030,701</u>	<u>\$ 674,432</u>	<u>\$ -</u>	<u>\$ 2,705,133</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, 2022

	Program Services	Management and General	Fund- raising	Total
Salaries and wages	\$ 528,063	\$ 104,659	\$ 197,492	\$ 830,214
Program donated services	501,790	-	-	501,790
Other program	272,360	-	3,539	275,899
Program food and lodging	243,116	3,774	-	246,890
Special events	2,669	-	177,387	180,056
Employee benefits	92,842	17,730	33,458	144,030
Equipment and uniforms	140,103	301	-	140,404
Program awards and recognition	131,896	-	-	131,896
Office supplies	21,473	4,670	16,134	42,277
Rent and storage	26,655	7,755	7,755	42,165
Chapter assessment fees	21,117	9,049	-	30,166
Accounting services	-	26,147	-	26,147
Fundraising	-	-	23,544	23,544
Program facilities	21,943	-	-	21,943
Insurance	18,045	175	331	18,551
Printing and postage	9,508	1,352	3,658	14,518
Travel, meetings and conferences	3,381	-	9,977	13,358
Telephone	5,319	1,143	2,156	8,618
Depreciation	4,970	1,069	2,015	8,054
Professional services	7,090	309	585	7,984
Other	3,839	549	2,684	7,072
	<u>\$ 2,056,179</u>	<u>\$ 178,682</u>	<u>\$ 480,715</u>	<u>\$ 2,715,576</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
Program donated services	70,519	-	-	70,519
Other program	59,003	-	-	59,003
Program food and lodging	48,104	-	-	48,104
Special events	54,774	-	66,946	121,720
Employee benefits	73,681	19,934	46,855	140,470
Equipment and uniforms	64,919	-	-	64,919
Program awards and recognition	68,132	-	-	68,132
Office supplies	28,713	3,681	4,417	36,811
Rent and storage	35,311	4,527	5,433	45,271
Chapter assessment fees	23,408	-	-	23,408
Accounting services	-	16,940	-	16,940
Fundraising	-	-	9,038	9,038
Program facilities	6,892	-	-	6,892
Insurance	16,859	1,874	-	18,733
Printing and postage	4,564	1,522	1,522	7,608
Travel, meetings and conferences	5,061	-	266	5,327
Telephone	5,032	1,677	1,677	8,386
Depreciation	2,651	884	884	4,419
Professional services	-	8,035	-	8,035
Other	6,311	-	-	6,311
Outreach	48,681	-	-	48,681
Loss on sale of asset	-	13,167	-	13,167
	<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.
Statements of Cash Flows
For the Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from contributions and grants	\$ 1,000,328	908,828
Cash received from special events	469,221	319,800
Cash received from state contract	500,000	500,000
Cash received from refundable advances - Paycheck Protection Program	-	138,289
Cash received from direct marketing	153,395	123,770
Cash received from program sponsor and registration	111,619	65,329
Cash received from other	53,976	23,347
Cash paid to employees	(886,716)	(894,939)
Cash paid to suppliers	(1,316,214)	(512,910)
Net cash provided by operating activities	<u>85,609</u>	<u>671,514</u>
Cash flows from investing activities		
Purchases of investments	(49,650)	(10,079)
Net cash used by investing activities	(49,650)	(10,079)
Cash flows from financing activities		
Principal payments on finance lease liability	(4,715)	(3,880)
Net cash used by financing activities	(4,715)	(3,880)
Net increase in cash and cash equivalents	31,244	657,555
Cash and cash equivalents, beginning of year	<u>1,707,787</u>	<u>1,050,232</u>
Cash and cash equivalents, end of year	<u>\$ 1,739,031</u>	<u>\$ 1,707,787</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 58,035</u>	<u>\$ 471,781</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,054	4,419
Net realized and unrealized gains (loss) on investments	10,607	(6,202)
Paycheck Protection Program forgiveness	-	(138,289)
Change in assets and liabilities		
Receivables	34,366	136,244
Inventory	-	13,305
Assets held for sale	-	170,000
Prepaid expense	(3,867)	(4,740)
Accounts payable	(2,646)	(4,471)
Accrued expenses	8,125	(98)
Deferred revenue	(27,065)	29,565
Total adjustments	<u>27,574</u>	<u>199,733</u>
Net cash provided by operating activities	<u>\$ 85,609</u>	<u>\$ 671,514</u>

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

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

1) Organization

Special Olympics New Mexico, Inc. (SONM) was incorporated on September 6, 1977. Today SONM offers year-round sports training and athletic competition in a variety of Olympic-type sports to 3,200 children and adults with intellectual disabilities (“ID”) through building inclusive communities, transforming lives through sport, and improving the quality of life for our athletes.

The obvious benefits of participating in SONM 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 SONM competition or event, engaging with SONM athletes is a transformative experience. We offer an environment of diversity, inclusion, equity, and acceptance of all people. The SONM movement is a force that teaches acceptance, respect, and unity through the power and joy of sport.

In 2022, SONM offered our athletes training and competition in 11 sports, while hosting 7 State Competitions, 2 Virtual Competitions, and 2 Athlete Wellness Challenges. Because people with ID have a 2-5 times higher health risk for diabetes and heart disease, and because Covid halted our in-person programs for two years, once we returned to play, we were able to provide 211 free health screenings and 61 referrals. Due to the long period of isolation that so many SONM athletes endured throughout the pandemic, the decline in their health, although obvious early on, continued to improve throughout the year. To date, over 85% of our registered athletes have returned and are on a path of improved physical, mental, and emotional well-being.

SONM’s Unified Champion Schools program hit the ground running in 2022. Over 400 students with intellectual disabilities representing 43 schools partnered with over 500 of their nondisabled peers, playing on the same sports teams during the school day. We continue to celebrate those schools for their ongoing commitment to inclusion.

At all levels of our organization, the pandemic resulted in the loss of those things foundational to our success. Lost relationships, facilities, systems, and key volunteers who we have relied on for years are gone. In 2022 and moving forward our priority is to focus on “rebuilding and recruitment.” We do so with a sense of hope and optimism.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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.

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, 2022 and 2021. There was no bad debt expense in 2022 and 2021.

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, annuities, 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, 2019 and thereafter.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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 for the year ended December 31, 2021. 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 \$502,980 and \$69,672 in services provided by certified coaches and officials for the years ended December 31, 2022 and 2021, respectively.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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. There were no receivables related to this contract at year end for fiscal year 2022 and 2021.

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
Other program	Specific identification
Program food and lodging	Specific identification
Special events	Time and effort
Employee benefits	Time and effort
Equipment and uniforms	Specific identification

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

3) Receivables

Receivables consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Special Olympics International	\$ 53,367	\$ 74,894
Other	<u>2,025</u>	<u>14,864</u>
Total	<u>\$ 55,392</u>	<u>\$ 89,758</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, 2022 and 2021.

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 creditworthiness of the issuer.

Money market funds are valued at cost plus accrued interest.

Annuity contracts are based on the index credit rate for a monthly point to point option and is based on 12 monthly percentage changes in the S&P 500 index over the course of a 12-month period. Dividend and interest are earned annually.

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.

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, 2022 and 2021 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

4) Fair Value Measurement — continued

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 gains (losses) earnings on investments of (\$1,187) and \$17,177 for the years ended December 31, 2022 and 2021, respectively and are included in the statements of activities.

Assets measured at fair value on a recurring basis at December 31, 2022 are as follows:

	Level 1	Level 2	Total
Certificates of deposit	\$ 358,445	\$ -	\$ 358,445
Money market funds	530,287	-	530,287
Exchange traded funds	55,058	-	55,058
Annuity	-	31,151	31,151
Investments at fair value	<u>\$ 943,790</u>	<u>\$ 31,151</u>	<u>\$ 974,941</u>

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

4) Fair Value Measurement — continued

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

	Level 1	Level 2	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>\$ 935,898</u>

5) **Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Office equipment and software	\$ 150,630	\$ 150,630
Finance right-of-use asset	22,096	22,096
Program equipment	<u>124,847</u>	<u>124,847</u>
	297,573	297,573
Less accumulated depreciation	<u>(285,315)</u>	<u>(277,261)</u>
Total	<u>\$ 12,258</u>	<u>\$ 20,312</u>

Depreciation for 2022 and 2021 was \$8,054 and 4,419, 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 board's policy is to contribute 3% of total support on an annual basis. At December 31, 2022 and 2021, the board designated balance was \$883,535 and \$675,380, respectively.

Special Olympics New Mexico, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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, 2022, no distributions were requested from the fund and no grants were awarded. The balance of the endowment fund held by ACF totaled \$101,666 and \$111,061 at December 31, 2022 and 2021, 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, 2022, and 2021.

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 \$22,700 and \$19,500 for each of the years ended December 31, 2022 and 2021, respectively.

9) Change in Accounting Principle

Adoption of FASB ASC 842

Effective January 1, 2022, SONM adopted FASB ASC 842, *Leases*. SONM determines if an arrangement contains a lease at inception based on whether SONM had the right to control the asset during the contract period and other facts and circumstances. SONM has elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification.

The organization has two leases, one of which was already previously recorded as a finance lease right-of-use asset and is in conformity with the new lease standard. SONM entered into a long-term finance lease for a copier in April 2020. The property under capital lease has an original cost of \$22,096 net of the accumulated depreciation of \$11,416 at December 31, 2022. The second is a short-term lease to rent office space. Lease expense for the office space was approximately \$31,000 for each of the years ended December 31, 2022 and 2021. SONM's office space lease ends in June 2023. Minimum future lease expense is \$16,200 for 2023.

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10) Leasing Activities

SONM has one finance lease for a copier. The lease has a remaining lease term of three years and used a discount rate of 3.25%. Amortization cost was \$4,419 as of December 31, 2022 and 2021. Interest on the finance lease was \$427 and \$566 as of December 31, 2022 and 2021, respectively. Total finance cost was \$4,846 and \$4,985 as of December 31, 2022 and 2021, respectively. The following summarizes the line items in the statements of financial position which includes the amount for the finance lease as of December 31:

	2022	2021
Finance Lease		
Property and equipment	\$ 22,096	\$ 22,096
Accumulated depreciation	(11,416)	(6,997)
Property and equipment, net	<u>\$ 10,680</u>	<u>\$ 15,099</u>
Lease liability - current	\$ 4,511	\$ 4,715
Lease liability - long term	6,247	10,758
Total finance lease liabilities	<u>\$ 10,758</u>	<u>\$ 15,473</u>

The maturities of the finance lease as of December 31, 2022, were as follows:

Year ending December 31,	
2023	4,794
2024	4,794
2025	<u>1,598</u>
Total lease payments	<u>11,186</u>
Less: interest	<u>(428)</u>
Present value of lease liability	<u>10,758</u>

11) 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 \$30,166 and \$23,408 for 2022 and 2021, 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 \$131,868 and \$153,395 for the years ended December 31, 2022 and 2021, respectively. SONM had a receivable from SOI of \$53,367 and \$74,894 at December 31, 2022 and 2021, respectively.

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12) Net Assets With Donor Restriction

There were no net assets with donor restriction at December 31, 2022. 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 \$65,733, at December 31, 2021, a contribution receivable (time restriction) of \$30,733 and two grant amounts restricted for \$15,000 and \$20,000.

13) 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, 2022 and 2021, SONM's uninsured cash balances with financial institutions totaled \$1,653,731 and \$1,377,592, respectively. Investment brokerage firms insure up to \$500,000 in securities, including a \$250,000 limit for cash held in a brokerage account.

14) Availability of Financial Assets and Liquidity

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

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,739,031	\$ 1,707,787
Receivables	55,392	89,758
Investments	<u>974,941</u>	<u>935,898</u>
Total financial assets	2,769,364	2,733,443
Less amounts not available for general expenditure within one year:		
Quasi endowment established by the Board	<u>883,535</u>	<u>675,380</u>
Financial assets available to meet cash needs for expenses within one year	<u>\$ 1,885,829</u>	<u>\$ 2,058,063</u>

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

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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 statements of financial position date and before the financial statements are available to be issued. SONM has evaluated subsequent events through March 20, 2023.