

SPECIAL OLYMPICS TENNESSEE, INC.

COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

SPECIAL OLYMPICS TENNESSEE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Special Olympics Tennessee, Inc.
Nashville, Tennessee

We have audited the accompanying combined financial statements of Special Olympics Tennessee, Inc. (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Tennessee, Inc. as of December 31, 2014 and 2013, 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.

Report on Combining Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 21 to 24 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, activities, and cash flows of the individual components, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Frasier, Dean + Howard, PLLC

Nashville, Tennessee
May 22, 2015

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,132,916	\$ 334,698
Investments	1,066,517	1,053,339
Contributed support and other receivables	96,319	84,747
Prepaid expenses	<u>17,598</u>	<u>17,857</u>
Total current assets	<u>3,313,350</u>	<u>1,490,641</u>
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>114,605</u>	<u>115,306</u>
Property and equipment	123,389	776,666
Less accumulated depreciation	<u>(111,233)</u>	<u>(338,409)</u>
	<u>12,156</u>	<u>438,257</u>
Total assets	<u><u>\$ 3,440,111</u></u>	<u><u>\$ 2,044,204</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 39,225	\$ 19,747
Accrued vacation	40,576	31,772
Note payable, current portion	<u>-</u>	<u>9,252</u>
Total current liabilities	79,801	60,771
Note payable, net of current portion	<u>-</u>	<u>118,847</u>
Total liabilities	<u>79,801</u>	<u>179,618</u>
Net assets:		
Unrestricted:		
Undesignated	3,213,555	1,696,299
Designated by board as agency endowment	114,605	115,306
Temporarily restricted	<u>32,150</u>	<u>52,981</u>
Total net assets	<u>3,360,310</u>	<u>1,864,586</u>
Total liabilities and net assets	<u><u>\$ 3,440,111</u></u>	<u><u>\$ 2,044,204</u></u>

See accompanying notes.

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 625,345	\$ -	\$ 625,345
Other contributions (including in-kind of \$80,396)	533,658	-	533,658
Special events	690,229	-	690,229
Other income	54,358	-	54,358
Other grants	3,181	-	3,181
Gain on sale of property and equipment	1,493,750	-	1,493,750
Investment income, net	64,423	-	64,423
Gain on beneficial interest in assets at Community Foundation of Middle Tennessee	4,899	-	4,899
Net assets released from restrictions:			
Satisfaction of program restrictions	20,831	(20,831)	-
Total revenues, gains and other support	<u>3,490,674</u>	<u>(20,831)</u>	<u>3,469,843</u>
Expenses:			
Games/competition	809,019	-	809,019
Training	81,149	-	81,149
Other program expenses	577,555	-	577,555
Total program expenses	1,467,723	-	1,467,723
Management and general	97,219	-	97,219
Fundraising	409,177	-	409,177
Total expenses	<u>1,974,119</u>	<u>-</u>	<u>1,974,119</u>
Change in net assets	1,516,555	(20,831)	1,495,724
Net assets, beginning of year	<u>1,811,605</u>	<u>52,981</u>	<u>1,864,586</u>
Net assets, end of year	<u><u>\$ 3,328,160</u></u>	<u><u>\$ 32,150</u></u>	<u><u>\$ 3,360,310</u></u>

See accompanying notes.

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 720,226	\$ -	\$ 720,226
Other contributions (including in-kind of \$57,346)	509,755	-	509,755
Special events	550,416	-	550,416
Other income	36,315	-	36,315
Other grants	13,698	-	13,698
Investment income, net	161,641	-	161,641
Gain on beneficial interest in assets at Community Foundation of Middle Tennessee	15,475	-	15,475
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>67,773</u>	<u>(67,773)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,075,299</u>	<u>(67,773)</u>	<u>2,007,526</u>
Expenses:			
Games/competition	727,418	-	727,418
Training	78,726	-	78,726
Other program expenses	<u>571,935</u>	<u>-</u>	<u>571,935</u>
Total program expenses	1,378,079	-	1,378,079
Management and general	91,445	-	91,445
Fundraising	<u>392,053</u>	<u>-</u>	<u>392,053</u>
Total expenses	<u>1,861,577</u>	<u>-</u>	<u>1,861,577</u>
Change in net assets	213,722	(67,773)	145,949
Net assets, beginning of year	<u>1,597,883</u>	<u>120,754</u>	<u>1,718,637</u>
Net assets, end of year	<u><u>\$ 1,811,605</u></u>	<u><u>\$ 52,981</u></u>	<u><u>\$ 1,864,586</u></u>

See accompanying notes.

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,495,724	\$ 145,949
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,744	24,385
Gain on sale of property and equipment	(1,493,750)	623
Net unrealized and realized gain on investments	(7,628)	(124,869)
Net unrealized and realized gain on beneficial interest in assets at Community Foundation of Middle Tennessee	(4,899)	(15,475)
Changes in operating assets and liabilities:		
Contributed support and other receivables	(11,572)	4,324
Prepaid expenses	259	(15,906)
Accounts payable	19,478	(7,602)
Accrued vacation	8,804	(1,799)
Net cash provided by operating activities	<u>31,160</u>	<u>9,630</u>
Cash flows from investing activities:		
Distribution from beneficial interest in assets at Community Foundation of Middle Tennessee	5,600	5,270
Purchases of investments	(107,076)	(176,751)
Proceeds from sales of investments	101,526	155,888
Proceeds from sale of property and equipment	1,787,955	-
Purchases of property and equipment	(12,466)	(4,995)
Net cash provided by (used in) investing activities	<u>1,775,539</u>	<u>(20,588)</u>
Cash flows from financing activities:		
Payments on note payable	(8,481)	(9,147)
Net cash used in financing activities	<u>(8,481)</u>	<u>(9,147)</u>
Net increase (decrease) in cash and cash equivalents	1,798,218	(20,105)
Cash and cash equivalents, beginning of year	334,698	354,803
Cash and cash equivalents, end of year	<u>\$ 2,132,916</u>	<u>\$ 334,698</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 4,968</u>	<u>\$ 5,903</u>
Supplemental disclosure of financing activities:		
Payments on note payable from proceeds from sale of property and equipment	<u>\$ 119,855</u>	<u>\$ -</u>

See accompanying notes.

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Games/ Competition	Training	Other Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 218,405	\$ 42,403	\$ 175,422	\$ 51,698	\$ 92,939	\$ 580,867
Payroll taxes and benefits	66,972	13,002	53,791	15,852	28,498	178,115
Subtotal salaries/benefits	285,377	55,405	229,213	67,550	121,437	758,982
Direct marketing costs	-	-	135,158	-	135,157	270,315
Contracted services (including \$60,596 in-kind)	72,919	11,003	45,519	13,415	24,116	166,972
Travel/meetings/conferences	107,429	2,633	10,317	2,937	5,280	128,596
Miscellaneous	94,771	3,800	15,722	4,633	8,329	127,255
Special events	-	-	24,720	-	98,881	123,601
Meals (including \$18,980 in-kind)	81,463	-	-	-	-	81,463
Supplies (including \$820 in-kind)	55,222	1,252	5,181	1,527	2,745	65,927
Insurance	-	-	44,975	-	-	44,975
SOI program support	-	-	41,276	-	-	41,276
Awards	36,926	-	-	-	365	37,291
Rent	22,998	986	4,078	1,202	2,160	31,424
Depreciation	9,304	1,806	7,473	2,202	3,959	24,744
Facilities/lodging	24,383	-	-	-	-	24,383
Equipment rental/maintenance	5,062	983	4,066	1,198	2,154	13,463
Telephone	4,733	919	3,802	1,120	2,014	12,588
Communications	1,919	373	1,542	454	817	5,105
Interest	1,868	363	1,500	442	795	4,968
Grants	2,371	1,185	1,186	-	-	4,742
Postage/shipping	1,449	281	1,164	343	616	3,853
Dues and subscriptions	810	157	651	192	345	2,155
Printing/production	15	3	12	4	7	41
Subtotal other expenses	523,642	25,744	348,342	29,669	287,740	1,215,137
Total expenses	\$ 809,019	\$ 81,149	\$ 577,555	\$ 97,219	\$ 409,177	\$ 1,974,119

See accompanying notes.

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Games/ Competition	Training	Other Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 213,019	\$ 41,357	\$ 171,095	\$ 50,423	\$ 90,646	\$ 566,540
Payroll taxes and benefits	64,928	12,605	52,149	15,368	27,628	172,678
Subtotal salaries/benefits	<u>277,947</u>	<u>53,962</u>	<u>223,244</u>	<u>65,791</u>	<u>118,274</u>	<u>739,218</u>
Direct marketing costs	-	-	160,519	-	160,518	321,037
Contracted services (including \$38,266 in-kind)	64,791	9,311	38,521	11,354	20,408	144,385
Travel/meetings/conferences	89,728	2,834	10,722	3,103	5,578	111,965
Special events	-	-	16,576	-	66,301	82,877
Miscellaneous	59,108	2,490	10,299	3,035	5,457	80,389
Meals (including \$19,080 in-kind)	75,836	-	-	-	-	75,836
Supplies	45,928	1,066	4,411	1,300	2,337	55,042
SOI program support	-	-	40,958	-	-	40,958
Insurance	-	-	39,964	-	-	39,964
Awards	36,077	-	-	-	840	36,917
Rent	24,864	1,123	4,645	1,369	2,461	34,462
Depreciation	9,169	1,780	7,364	2,170	3,902	24,385
Facilities/lodging	23,061	-	-	-	-	23,061
Grants	6,864	3,432	3,432	-	-	13,728
Telephone	4,620	897	3,710	1,093	1,966	12,286
Equipment rental/maintenance	3,726	724	2,993	882	1,586	9,911
Interest	2,220	431	1,783	525	944	5,903
Communications	1,845	358	1,482	437	785	4,907
Postage/shipping	1,012	197	813	239	431	2,692
Dues and subscriptions	602	117	483	142	256	1,600
Printing/production	<u>20</u>	<u>4</u>	<u>16</u>	<u>5</u>	<u>9</u>	<u>54</u>
Subtotal other expenses	<u>449,471</u>	<u>24,764</u>	<u>348,691</u>	<u>25,654</u>	<u>273,779</u>	<u>1,122,359</u>
Total expenses	<u>\$ 727,418</u>	<u>\$ 78,726</u>	<u>\$ 571,935</u>	<u>\$ 91,445</u>	<u>\$ 392,053</u>	<u>\$ 1,861,577</u>

See accompanying notes.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Special Olympics Tennessee, Inc. (the “Organization”) is a Tennessee nonprofit corporation that provides sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities. The Organization includes the combined accounts of the state office located in Nashville and approximately thirty area programs located throughout Tennessee.

Transactions and balances between the state and area offices have been eliminated for financial reporting purposes.

The following is a summary of the Organization’s significant accounting policies:

Basis of Presentation

The combined financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2014 and 2013.

Contributions

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are generally reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year the contributions are recognized.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Organization considers all cash funds, cash bank accounts, money market funds and highly liquid debt instruments purchased with an original maturity when purchased of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. See Note 2 for discussion of fair value measurements. Gains or losses on such investments are reported as a change in net assets in the period they occur.

Contributed Support and Other Receivables

Contributed support and other receivables are reviewed annually as to their collectability. Based on collection experience and management's review, no allowance for doubtful amounts is considered necessary at December 31, 2014 and 2013.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all major classes are as follows:

Land improvements	20 years
Building	40 years
Building improvements	10 years
Equipment and fixtures	5 years
Automobiles	3 to 5 years

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

The Organization records various types of in-kind support including contributed facilities, materials, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying combined financial statements as in-kind support are offset by like amounts included in expenses.

Additionally, the Organization receives a significant amount of contributed time from volunteers that does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying combined financial statements.

Functional Expenses

Costs of providing the Organization's programs are summarized and reported on a functional basis. Expenses of each program include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates made by management.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax years that remain open for examination include years ended December 31, 2011 through December 31, 2014. The Organization has no tax penalties or interest reported in the accompanying combined financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization evaluated subsequent events through May 22, 2015 when these combined financial statements were available to be issued. Except for the lease arrangement discussed in Note 14, the Organization is not aware of any significant events that occurred subsequent to the combined statement of financial position date but prior to the filing of this report that would have a material impact on the combined financial statements.

NOTE 2 – INVESTMENTS

Investments at December 31, 2014 and 2013 consist of the following:

	2014		2013	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 873,131	\$ 1,045,837	\$ 844,135	\$ 1,009,597
Common stock and options	12,889	20,680	11,336	18,082
Fixed income securities	-	-	25,490	25,660
Total investments	<u>\$ 886,020</u>	<u>\$ 1,066,517</u>	<u>\$ 880,961</u>	<u>\$ 1,053,339</u>

The Organization's investment policy is generally to maintain 15% - 75% of its portfolio in equities, 15% - 75% in fixed income securities, and 0% - 50% in cash and cash equivalents.

The Organization's investments are subject to normal market risks. Such risks may cause various fluctuations in value. Management attempts to manage such risks by maintaining a diversified portfolio of investments.

The Organization follows the Fair Value Measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 2 – INVESTMENTS (Continued)

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Short-term investments are valued at cost which approximates fair value. The Organization's fixed income securities and equities are valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 226,042	\$ -	\$ -	\$ 226,042
Moderate allocation	213,131	-	-	213,131
Short-term bond	219,750	-	-	219,750

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 2 – INVESTMENTS (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds (Continued):				
World allocation	167,871	-	-	167,871
Large growth	119,213	-	-	119,213
Foreign large blend	65,941	-	-	65,941
Multi-sector bond	26,709	-	-	26,709
Foreign large value	<u>7,180</u>	<u>-</u>	<u>-</u>	<u>7,180</u>
Total mutual funds	<u>1,045,837</u>	<u>-</u>	<u>-</u>	<u>1,045,837</u>
Common stock and options:				
Healthcare	9,938	-	-	9,938
Technology	9,597	-	-	9,597
Financial	<u>1,145</u>	<u>-</u>	<u>-</u>	<u>1,145</u>
Total common stock and options	<u>20,680</u>	<u>-</u>	<u>-</u>	<u>20,680</u>
Total investments at fair value	<u>\$ 1,066,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,066,517</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 201,662	\$ -	\$ -	\$ 201,662
Moderate allocation	196,629	-	-	196,629
Short-term bond	171,243	-	-	171,243
World allocation	157,460	-	-	157,460
Large growth	107,805	-	-	107,805
Foreign large blend	68,608	-	-	68,608
Multi-sector bond	49,796	-	-	49,796
Intermediate term bond	48,973	-	-	48,973
Foreign large value	<u>7,421</u>	<u>-</u>	<u>-</u>	<u>7,421</u>
Total mutual funds	<u>1,009,597</u>	<u>-</u>	<u>-</u>	<u>1,009,597</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 2 – INVESTMENTS (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and options:				
Technology	9,323	-	-	9,323
Healthcare	<u>8,759</u>	<u>-</u>	<u>-</u>	<u>8,759</u>
Total common stock and options	<u>18,082</u>	<u>-</u>	<u>-</u>	<u>18,082</u>
Fixed income securities:				
Corporate bonds	<u>25,660</u>	<u>-</u>	<u>-</u>	<u>25,660</u>
Total investments at fair value	<u>\$ 1,053,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,053,339</u>

During 2014 and 2013, interest and dividends earned from these investments totaled \$56,795 and \$36,772, respectively. Net unrealized and realized gains on investments amounted to \$7,628 and \$124,869 for 2014 and 2013, respectively.

NOTE 3 – CONTRIBUTED SUPPORT AND OTHER RECEIVABLES

Contributed support and other receivables at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Special Olympics International	\$ -	\$ 11,412
Unconditional pledges	16,636	17,135
Other contributed support receivable and other receivables	<u>79,683</u>	<u>56,200</u>
Total contributed support and other receivables	96,319	84,747
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support and other receivables	<u>\$ 96,319</u>	<u>\$ 84,747</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ -	\$ 60,356
Land improvements	-	9,624
Building	-	532,416
Building improvements	-	63,347
Equipment and fixtures	99,061	86,595
Automobiles	<u>24,328</u>	<u>24,328</u>
	123,389	776,666
Less accumulated depreciation	<u>(111,233)</u>	<u>(338,409)</u>
	<u>\$ 12,156</u>	<u>\$ 438,257</u>

In December 2014, the Organization sold its land, building and improvements for \$2,000,000 and recognized a gain on the sale of \$1,493,750. Since the sale, the Organization has been leasing back the building under a short term arrangement. The Organization moved to its new location in May 2015. (See Note 14 for discussion of the related lease.)

NOTE 5 – NOTE PAYABLE

Note payable is as follows at December 31:

	<u>2014</u>	<u>2013</u>
Note payable to bank, refinanced during 2012, with interest payable monthly equal to the Prime Rate plus 1.05% and a minimum interest rate of 4.30% (4.30% at December 31, 2013). Principal payments of \$771 were due monthly along with accrued interest between November 2012 and September 2017, remaining principal balance due in October 2017. The note was secured by the Organization's building and certain commercial guarantees. The note was paid in full in conjunction with the sale of land, building and improvements in December 2014 (See Note 4).	\$ -	\$ 128,099
Less current portion	<u>-</u>	<u>(9,252)</u>
Note payable, net of current portion	<u>\$ -</u>	<u>\$ 118,847</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31:

	<u>2014</u>	<u>2013</u>
Area 2 activities	\$ -	\$ 7,111
Area 13 activities	-	6,629
Area 27 activities	<u>32,150</u>	<u>39,241</u>
	<u>\$ 32,150</u>	<u>\$ 52,981</u>

NOTE 7 – AFFILIATED ORGANIZATION

The Organization is accredited by Special Olympics International, Inc. (“SOI”) to conduct Special Olympics activities within Tennessee. Following is a summary of transactions with SOI during the years ended December 31:

	<u>2014</u>	<u>2013</u>
<u>Combined Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 5,258	\$ 14,063
Direct mail	<u>132,725</u>	<u>141,570</u>
Total support	<u>\$ 137,983</u>	<u>\$ 155,633</u>
Payments to SOI: Program support	<u>\$ 41,276</u>	<u>\$ 40,958</u>

	<u>2014</u>	<u>2013</u>
<u>Combined Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	<u>\$ -</u>	<u>\$ 11,412</u>

NOTE 8 – DIRECT MARKETING CAMPAIGN

The Organization conducts marketing campaigns through an outside vendor, including direct mail and telemarketing, to raise funds and to increase public knowledge and awareness of the Organization’s mission and activities. Direct mail and telemarketing projects for the years ended December 31, 2014 and 2013 resulted in contributions of \$625,345 and \$720,226, respectively. The Organization’s vendor provided services relating to direct mail and telemarketing for total costs of

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 8 – DIRECT MARKETING CAMPAIGN (Continued)

\$270,316 and \$321,037, during 2014 and 2013, respectively. The arrangement with the Organization's vendor extends through December 2015.

NOTE 9 – OTHER CONTRIBUTIONS

Other contributions as reflected in the accompanying combined statements of activities consist of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Foundations	\$ 77,509	\$ 90,992
Individuals	107,584	91,664
Corporate	119,773	126,054
Civitans	2,075	2,700
United Way designations	5,551	4,247
In-kind facilities, rent, services, meals and other	80,396	57,346
Other	<u>140,770</u>	<u>136,752</u>
	<u>\$ 533,658</u>	<u>\$ 509,755</u>

NOTE 10 – SPECIAL EVENTS

The Organization receives support from various special events, some of which are conducted by the Organization and its volunteers throughout the state. Such events include Polar Bear Plunge, Over the Edge, the Golf Classic and various other community events. Proceeds from special events totaled \$690,229 and \$550,416 during 2014 and 2013, respectively.

NOTE 11 – SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$97,219 and \$91,445 in 2014 and 2013, respectively, which approximate 3% and 4% of revenues, gains, and other support for 2014 and 2013, respectively. Together, fundraising and management and general expenses represent 15% and 24% of revenues, gains, and other support in 2014 and 2013, respectively.

NOTE 12 – EMPLOYEE RETIREMENT PLAN

The Organization maintained a 403(b) Tax-Sheltered Annuity retirement program available for eligible employees. Any employee who was at least 21 years old and had completed two years of service was permitted to participate in the plan. Effective December 31, 2008, the Organization ceased accepting contributions to its 403(b) plan and replaced it with a new 401(k) plan beginning

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

January 1, 2009. Under the 401(k) plan, contributions are not required; however, the Organization may contribute an amount, which vests immediately, as determined by the board of directors based on each employee's total compensation. Employees may also make pretax contributions to the plan. The Organization did not make any contributions into the plan during 2014 or 2013.

NOTE 13 – CONCENTRATION

At times, the Organization maintains cash and investments in amounts in excess of federally insured limits. In management's opinion, risk relating to such deposits is minimal based on the credit rating of its depositories and based on the diversity of its investments.

NOTE 14 – LEASES

Prior to selling its property, the Organization leased a portion of its building to a tenant on a month-to-month basis. Total rental income approximated \$25,000 in 2014 and 2013.

Subsequent to December 31, 2014 and as a result of the sale of the Organization's land, building and improvements, the Organization entered into an operating lease for office space. Future minimum lease payments required under this and other office space and equipment lease arrangements are as follows:

<u>Years Ending December 31,</u>	
2015	\$ 61,323
2016	70,329
2017	70,329
2018	35,165
2019	<u>-</u>
	<u>\$ 237,146</u>

NOTE 15 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE

The Community Foundation of Middle Tennessee (the "Foundation") maintains agency investments on behalf of the Organization. The investments result from unrestricted amounts transferred by the Organization to the Foundation in prior years. The Organization has recorded the related asset "beneficial interest in assets at Community Foundation of Middle Tennessee" in the accompanying combined statements of financial position. Changes in the value of the asset are recorded in the accompanying combined statements of activities.

ADDITIONAL INFORMATION

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2014

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,920,918	\$ 211,998	\$ -	\$ 2,132,916
Investments	867,227	199,290	-	1,066,517
Contributed support and other receivables	130,465	248,061	(282,207)	96,319
Prepaid expenses	5,173	12,425	-	17,598
Total current assets	<u>2,923,783</u>	<u>671,774</u>	<u>(282,207)</u>	<u>3,313,350</u>
Beneficial interest in assets at Community Foundation of Middle Tennessee	114,605	-	-	114,605
Property and equipment	94,504	28,885	-	123,389
Less accumulated depreciation	<u>(87,347)</u>	<u>(23,886)</u>	<u>-</u>	<u>(111,233)</u>
	7,157	4,999	-	12,156
Total assets	<u>\$ 3,045,545</u>	<u>\$ 676,773</u>	<u>\$ (282,207)</u>	<u>\$ 3,440,111</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 261,975	\$ 59,457	\$ (282,207)	\$ 39,225
Accrued vacation	40,576	-	-	40,576
Note payable, current portion	-	-	-	-
Total current liabilities	302,551	59,457	(282,207)	79,801
Note payable, net of current portion	-	-	-	-
Total liabilities	<u>302,551</u>	<u>59,457</u>	<u>(282,207)</u>	<u>79,801</u>
Net assets:				
Unrestricted:				
Undesignated	2,628,389	585,166	-	3,213,555
Designated by board as agency endowment	114,605	-	-	114,605
Temporarily restricted	-	32,150	-	32,150
Total net assets	<u>2,742,994</u>	<u>617,316</u>	<u>-</u>	<u>3,360,310</u>
Total liabilities and net assets	<u>\$ 3,045,545</u>	<u>\$ 676,773</u>	<u>\$ (282,207)</u>	<u>\$ 3,440,111</u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2013

	State Office	Area Units	Eliminations	Total
	Assets			
Current assets:				
Cash and cash equivalents	\$ 106,328	\$ 228,370	\$ -	\$ 334,698
Investments	834,640	218,699	-	1,053,339
Contributed support and other receivables	111,989	182,589	(209,831)	84,747
Prepaid expenses	17,852	5	-	17,857
Total current assets	1,070,809	629,663	(209,831)	1,490,641
Beneficial interest in assets at Community Foundation of Middle Tennessee	115,306	-	-	115,306
Property and equipment	749,805	26,861	-	776,666
Less accumulated depreciation	(314,523)	(23,886)	-	(338,409)
	435,282	2,975	-	438,257
Total assets	<u>\$ 1,621,397</u>	<u>\$ 632,638</u>	<u>\$ (209,831)</u>	<u>\$ 2,044,204</u>
	Liabilities and Net Assets			
Current liabilities:				
Accounts payable	\$ 198,913	\$ 30,665	\$ (209,831)	\$ 19,747
Accrued vacation	31,772	-	-	31,772
Note payable, current portion	9,252	-	-	9,252
Total current liabilities	239,937	30,665	(209,831)	60,771
Note payable, net of current portion	118,847	-	-	118,847
Total liabilities	358,784	30,665	(209,831)	179,618
Net assets:				
Unrestricted:				
Undesignated	1,140,196	556,103	-	1,696,299
Designated by board as agency endowment	115,306	-	-	115,306
Temporarily restricted	7,111	45,870	-	52,981
Total net assets	1,262,613	601,973	-	1,864,586
Total liabilities and net assets	<u>\$ 1,621,397</u>	<u>\$ 632,638</u>	<u>\$ (209,831)</u>	<u>\$ 2,044,204</u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>State Office</u>		<u>Area Units</u>		<u>Eliminations</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		
Revenues, gains and other support:						
Direct marketing contributions	\$ 625,345	\$ -	\$ -	\$ -	\$ -	\$ 625,345
Other contributions (including in-kind of \$80,396)	267,859	-	265,799	-	-	533,658
Special events	387,247	-	302,982	-	-	690,229
Other income	241,893	-	38,739	-	(226,274)	54,358
Other grants	3,181	-	-	-	-	3,181
Gain on sale of property and equipment	1,493,750	-	-	-	-	1,493,750
Investment income, net	59,047	-	5,376	-	-	64,423
Gain on beneficial interest in assets at Community Foundation of Middle Tennessee	4,899	-	-	-	-	4,899
Net assets released from restrictions:						
Satisfaction of program restrictions	7,111	(7,111)	13,720	(13,720)	-	-
Total revenues, gains and other support	<u>3,090,332</u>	<u>(7,111)</u>	<u>626,616</u>	<u>(13,720)</u>	<u>(226,274)</u>	<u>3,469,843</u>
Expenses:						
Games/competition	546,576	-	335,207	-	(72,764)	809,019
Training	71,958	-	23,318	-	(14,127)	81,149
Other program expenses	559,681	-	109,071	-	(91,197)	577,555
Total program expenses	1,178,215	-	467,596	-	(178,088)	1,467,723
Management and general	86,010	-	28,431	-	(17,222)	97,219
Fundraising	338,615	-	101,526	-	(30,964)	409,177
Total expenses	<u>1,602,840</u>	<u>-</u>	<u>597,553</u>	<u>-</u>	<u>(226,274)</u>	<u>1,974,119</u>
Change in net assets	1,487,492	(7,111)	29,063	(13,720)	-	1,495,724
Net assets, beginning of year	1,255,502	7,111	556,103	45,870	-	1,864,586
Net assets, end of year	<u>\$ 2,742,994</u>	<u>\$ -</u>	<u>\$ 585,166</u>	<u>\$ 32,150</u>	<u>\$ -</u>	<u>\$ 3,360,310</u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>State Office</u>		<u>Area Units</u>		<u>Eliminations</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		
Revenues, gains and other support:						
Direct marketing contributions	\$ 720,226	\$ -	\$ -	\$ -	\$ -	\$ 720,226
Other contributions (including in-kind of \$57,346)	267,512	-	242,243	-	-	509,755
Special events	285,096	-	265,320	-	-	550,416
Other income	183,696	-	22,216	-	(169,597)	36,315
Other grants	13,698	-	-	-	-	13,698
Investment income, net	133,261	-	28,380	-	-	161,641
Gain on beneficial interest in assets at Community Foundation of Middle Tennessee	15,475	-	-	-	-	15,475
Net assets released from restrictions:						
Satisfaction of program restrictions	45,000	(45,000)	22,773	(22,773)	-	-
Total revenues, gains and other support	<u>1,663,964</u>	<u>(45,000)</u>	<u>580,932</u>	<u>(22,773)</u>	<u>(169,597)</u>	<u>2,007,526</u>
Expenses:						
Games/competition	479,522	-	304,407	-	(56,511)	727,418
Training	70,225	-	19,472	-	(10,971)	78,726
Other program expenses	547,173	-	89,456	-	(64,694)	571,935
Total program expenses	1,096,920	-	413,335	-	(132,176)	1,378,079
Management and general	81,081	-	23,741	-	(13,377)	91,445
Fundraising	338,453	-	77,644	-	(24,044)	392,053
Total expenses	<u>1,516,454</u>	<u>-</u>	<u>514,720</u>	<u>-</u>	<u>(169,597)</u>	<u>1,861,577</u>
Change in net assets	147,510	(45,000)	66,212	(22,773)	-	145,949
Net assets, beginning of year	1,107,992	52,111	489,891	68,643	-	1,718,637
Net assets, end of year	<u>\$ 1,255,502</u>	<u>\$ 7,111</u>	<u>\$ 556,103</u>	<u>\$ 45,870</u>	<u>\$ -</u>	<u>\$ 1,864,586</u>