

SPECIAL OLYMPICS TENNESSEE, INC.

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2009 and 2008

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 statements of financial position of Special Olympics Tennessee, Inc. (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Tennessee, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Special Olympics Tennessee, Inc. taken as a whole. The accompanying schedules on pages 19 to 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dean + Howard, PLLC

May 27, 2010

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 442,876	\$ 670,313
Investments	804,458	660,628
Contributed support receivable and other receivables	138,358	146,004
Prepaid expenses	10,669	16,079
	<u>1,396,361</u>	<u>1,493,024</u>
Property and equipment	838,280	902,574
Less accumulated depreciation	<u>(310,258)</u>	<u>(337,360)</u>
	<u>528,022</u>	<u>565,214</u>
Total assets	<u><u>\$ 1,924,383</u></u>	<u><u>\$ 2,058,238</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 9,426	\$ 5,265
Accrued retirement plan contribution	5,205	36,918
Accrued vacation	23,622	23,622
Note payable, current portion	16,391	15,255
	<u>54,644</u>	<u>81,060</u>
Note payable, net of current portion	<u>166,006</u>	<u>182,111</u>
Total liabilities	<u>220,650</u>	<u>263,171</u>
Net assets:		
Unrestricted	1,535,576	1,625,919
Temporarily restricted	168,157	169,148
	<u>1,703,733</u>	<u>1,795,067</u>
Total liabilities and net assets	<u><u>\$ 1,924,383</u></u>	<u><u>\$ 2,058,238</u></u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 916,674	\$ -	\$ 916,674
Other contributions	540,838	-	540,838
Special events	293,090	-	293,090
Investment income (loss), net	147,765	3,157	150,922
Other income	53,288	-	53,288
Other grants	5,237	-	5,237
Net assets released from restrictions:			
Satisfaction of program restrictions	4,148	(4,148)	-
Total revenues, gains and other support	<u>1,961,040</u>	<u>(991)</u>	<u>1,960,049</u>
Expenses:			
Games/competition	824,201	-	824,201
Training	91,941	-	91,941
Other program expenses	596,790	-	596,790
Management and general	87,090	-	87,090
Fundraising	451,361	-	451,361
Total expenses	<u>2,051,383</u>	<u>-</u>	<u>2,051,383</u>
Change in net assets	<u>(90,343)</u>	<u>(991)</u>	<u>(91,334)</u>
Net assets at beginning of year	<u>1,625,919</u>	<u>169,148</u>	<u>1,795,067</u>
Net assets at end of year	<u><u>\$ 1,535,576</u></u>	<u><u>\$ 168,157</u></u>	<u><u>\$ 1,703,733</u></u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 1,037,632	\$ -	\$ 1,037,632
Other contributions	631,275	165,000	796,275
Special events	337,921	-	337,921
Other income	61,557	-	61,557
Other grants	11,058	-	11,058
Investment income (loss), net	(247,198)	-	(247,198)
Net assets released from restrictions:			
Satisfaction of program restrictions	23,365	(23,365)	-
Total revenues, gains and other support	<u>1,855,610</u>	<u>141,635</u>	<u>1,997,245</u>
Expenses:			
Games/competition	930,761	-	930,761
Training	102,348	-	102,348
Other program expenses	672,298	-	672,298
Management and general	97,371	-	97,371
Fundraising	446,646	-	446,646
Total expenses	<u>2,249,424</u>	<u>-</u>	<u>2,249,424</u>
Change in net assets	<u>(393,814)</u>	<u>141,635</u>	<u>(252,179)</u>
Net assets at beginning of year	<u>2,019,733</u>	<u>27,513</u>	<u>2,047,246</u>
Net assets at end of year	<u>\$ 1,625,919</u>	<u>\$ 169,148</u>	<u>\$ 1,795,067</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (91,334)	\$ (252,179)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	40,243	38,003
Loss on sale of fixed assets	4,169	-
Net unrealized and realized (gain) loss on investments	(119,802)	265,344
Changes in operating assets and liabilities:		
Contributed support receivable and other receivables	7,646	67,219
Prepaid expenses	5,410	(14,928)
Accounts payable	4,161	(22,470)
Accrued retirement plan contribution	(31,713)	6,450
Net cash (used in) provided by operating activities	<u>(181,220)</u>	<u>87,439</u>
Cash flows from investing activities:		
Purchases of investments	(152,367)	(156,448)
Proceeds from sales of investments	128,339	215,119
Purchases of property and equipment	<u>(7,220)</u>	<u>(18,924)</u>
Net cash (used in) provided by investing activities	<u>(31,248)</u>	<u>39,747</u>
Cash flows from financing activities:		
Payments on note payable	<u>(14,969)</u>	<u>(12,972)</u>
Net cash used in financing activities	<u>(14,969)</u>	<u>(12,972)</u>
Net (decrease) increase in cash and cash equivalents	(227,437)	114,214
Cash and cash equivalents, beginning of year	<u>670,313</u>	<u>556,099</u>
Cash and cash equivalents, end of year	<u>\$ 442,876</u>	<u>\$ 670,313</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 14,253</u>	<u>\$ 14,740</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2009

	Games/ Competition	Training	Other Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 239,006	\$ 54,159	\$ 171,896	\$ 51,216	\$ 72,408	\$ 588,685
Payroll taxes and benefits	64,652	14,650	46,498	13,854	19,587	159,241
Subtotal salaries/benefits	303,658	68,809	218,394	65,070	91,995	747,926
Direct marketing costs	-	-	206,571	-	206,572	413,143
Special events	-	-	2,004	-	122,195	124,199
Travel/meetings/conferences	95,395	2,749	6,617	1,933	2,733	109,427
Contracted services	47,660	5,709	18,742	5,398	7,944	85,453
Supplies	63,672	1,591	10,542	1,504	2,127	79,436
Facilities/lodging	72,281	-	-	-	-	72,281
Meals	68,379	-	-	-	-	68,379
Miscellaneous	53,653	1,952	7,293	2,657	2,609	68,164
Awards	47,420	-	-	-	303	47,723
Insurance	-	-	40,705	-	-	40,705
Depreciation	16,339	3,702	11,751	3,501	4,950	40,243
SOI program support	-	-	36,882	-	-	36,882
Rent	27,454	1,316	4,178	1,245	1,760	35,953
Telephone	9,073	2,056	6,525	1,944	2,749	22,347
Equipment rental/maintenance	7,167	1,624	5,154	1,536	2,171	17,652
Interest	5,787	1,311	4,162	1,240	1,753	14,253
Grants	-	-	13,707	-	-	13,707
Communications	2,914	363	1,153	344	486	5,260
Postage/shipping	2,049	464	1,474	439	621	5,047
Dues and subscriptions	1,227	278	883	263	372	3,023
Printing/production	73	17	53	16	21	180
Subtotal other expenses	520,543	23,132	378,396	22,020	359,366	1,303,457
Total expenses	\$ 824,201	\$ 91,941	\$ 596,790	\$ 87,090	\$ 451,361	\$ 2,051,383

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2008

	Games/ Competition	Training	Other Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 253,119	\$ 57,357	\$ 182,046	\$ 54,240	\$ 76,684	\$ 623,446
Retirement plan contributions	13,302	3,014	9,567	2,850	4,030	32,763
Payroll taxes and benefits	59,025	13,375	42,451	12,648	17,882	145,381
Subtotal salaries/benefits	325,446	73,746	234,064	69,738	98,596	801,590
Direct marketing costs	-	-	234,461	-	234,461	468,922
Travel/meetings/conferences	111,820	4,881	13,795	4,047	5,721	140,264
Contracted services	69,904	6,963	22,459	6,585	9,489	115,400
Meals	96,983	-	-	-	-	96,983
Miscellaneous	64,539	3,919	14,386	4,861	5,238	92,943
Supplies	61,991	2,120	14,879	2,004	2,834	83,828
Facilities/lodging	81,327	-	-	-	-	81,327
Special events	-	-	1,667	-	75,034	76,701
Awards	47,867	-	-	-	942	48,809
Insurance	-	-	38,264	-	-	38,264
SOI program support	-	-	38,007	-	-	38,007
Depreciation	15,430	3,496	11,097	3,306	4,674	38,003
Rent	28,119	1,473	4,674	1,393	1,969	37,628
Grants	-	-	25,547	-	-	25,547
Telephone	8,541	1,935	6,143	1,830	2,587	21,036
Interest	5,985	1,356	4,304	1,282	1,813	14,740
Equipment rental/maintenance	4,727	1,071	3,400	1,013	1,432	11,643
Postage/shipping	2,386	541	1,716	511	723	5,877
Communications	3,525	355	1,127	336	475	5,818
Dues and subscriptions	1,737	394	1,249	372	526	4,278
Printing/production	434	98	1,059	93	132	1,816
Subtotal other expenses	605,315	28,602	438,234	27,633	348,050	1,447,834
Total expenses	\$ 930,761	\$ 102,348	\$ 672,298	\$ 97,371	\$ 446,646	\$ 2,249,424

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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 intercompany 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:

Accounting Standards Codification

The FASB ASC became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC had no effect on the Organization’s financial position, activities, net assets or cash flows.

Basis of Presentation

The 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 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, 2009 and 2008.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

Federal and state financial assistance is recognized as unrestricted revenue to the extent and in the period that applicable expenditures are made. The excess of such revenue received over applicable expenditures is recorded as deferred revenue until applicable expenditures are made.

Cash and Cash Equivalents

For purposes of the 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.

Contributed Support Receivable and Other Receivables

Contributed support receivable and other receivables are reviewed annually as to their collectibility. Based on collection experience and management's review, no allowance for doubtful amounts is considered necessary at December 31, 2009 and 2008.

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 on fair value measurements. Gains or losses on such investments are reported as a change in net assets in the period they occur.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Building	40 years
Building improvements	10 years
Land improvements	20 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.

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 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 financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements

On January 1, 2009, the Organization adopted FASB ASC guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation 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. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended December 31, 2006 through December 31, 2009. Adoption of this pronouncement had no impact on the Organization's financial position or results of operations.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 2 – INVESTMENTS

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 Measurements and Disclosures 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). 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 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.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 2 – INVESTMENTS (Continued)

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.

Investments at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>	<u>Fair Market Basis</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>
Mutual funds	\$ 680,718	\$ 680,718	\$ 493,534	\$ 493,534
Common stock and options	19,675	19,675	-	-
Bonds	<u>104,065</u>	<u>104,065</u>	<u>167,094</u>	<u>167,094</u>
Total investments	<u>\$ 804,458</u>	<u>\$ 804,458</u>	<u>\$ 660,628</u>	<u>\$ 660,628</u>

During 2009 and 2008, interest and dividends earned from these investments totaled \$31,120 and \$18,146, respectively. Net unrealized and realized gains (losses) on investments amounted to \$119,802 and \$(265,344) for 2009 and 2008, respectively.

NOTE 3 – CONTRIBUTED SUPPORT RECEIVABLE AND OTHER RECEIVABLES

Contributed support receivable and other receivables at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Special Olympics International	\$ 2,778	\$ 3,906
Unconditional pledges	37,810	15,967
Other contributed support receivable and other receivables	<u>97,770</u>	<u>126,131</u>
Total contributed support receivable and other receivables	138,358	146,004
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support receivable and other receivables	<u>\$ 138,358</u>	<u>\$ 146,004</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 60,356	\$ 60,356
Land improvements	9,624	9,624
Building	532,416	532,416
Building improvements	54,245	75,383
Equipment and fixtures	130,594	149,774
Automobiles	<u>51,045</u>	<u>75,021</u>
	838,280	902,574
Less accumulated depreciation	<u>(310,258)</u>	<u>(337,360)</u>
	<u>\$ 528,022</u>	<u>\$ 565,214</u>

NOTE 5 – NOTE PAYABLE

Note payable at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Note payable to bank, interest payable at 7.20%, due in monthly principal and interest payments of \$2,435 between November 2007 and September 2012, remaining principal balance due in October 2012. The note is secured by the Organization's building.	\$ 182,397	\$ 197,366
Less current portion	<u>(16,391)</u>	<u>(15,255)</u>
Note payable, net of current portion	<u>\$ 166,006</u>	<u>\$ 182,111</u>

Aggregate maturities of the note payable are as follows:

Year ending <u>December 31,</u>	
2010	\$ 16,391
2011	17,611
2012	<u>148,395</u>
	<u>\$ 182,397</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Capital campaign	\$ -	\$ 4,148
Area 13 activities	67,064	65,000
Area 27 activities	<u>101,093</u>	<u>100,000</u>
	<u>\$ 168,157</u>	<u>\$ 169,148</u>

During 2008, two areas received bequests from individuals that restricted the funds to be used for activities in the specified areas. Amounts raised for the capital campaign were restricted for debt service relating to the Organization's note payable to bank.

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 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<u>Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 13,692	\$ 13,820
Direct mail	<u>150,159</u>	<u>162,121</u>
Total support	<u>\$ 163,851</u>	<u>\$ 175,941</u>
Payments to SOI:		
Program support	<u>\$ 36,882</u>	<u>\$ 38,007</u>
<u>Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	<u>\$ 2,778</u>	<u>\$ 3,906</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 8 – DIRECT MARKETING CAMPAIGN

The Organization conducts marketing campaigns, 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, 2009 and 2008 resulted in contributions of \$916,674 and \$1,037,632, respectively. The Organization's vendor provided services relating to direct mail and telemarketing for total costs of \$413,143 and \$468,922, during 2009 and 2008, respectively.

NOTE 9 – OTHER CONTRIBUTIONS

Other contributions as reflected in the accompanying statements of activities consist of the following:

	<u>2009</u>	<u>2008</u>
Foundations	\$ 142,473	\$ 160,853
Individuals	53,021	231,648
Corporate	97,289	145,214
Civitans	2,975	2,700
United Way designations	8,062	12,896
In-kind facilities, rent, services, meals and other	47,894	75,345
Other	<u>189,124</u>	<u>167,619</u>
	<u>\$ 540,838</u>	<u>\$ 796,275</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 law enforcement Torch Run sponsorships, Nashville Golf Classic and various other community events. Proceeds from special events totaled \$293,090 and \$337,921 during 2009 and 2008, respectively.

NOTE 11 – SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$87,090 and \$97,371, which approximate 4 and 5 percent of revenues, gains, and other support for 2009 and 2008, respectively. Together, fundraising and management and general expenses represent 27 percent of revenues, gains, and other support in 2009 and 2008.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 12 – EMPLOYEE RETIREMENT PLAN

The Organization maintained a 403(b) Tax-Sheltered Annuity retirement program available for eligible employees. Any employee who is 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 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. Retirement plan expense totaled \$0 and \$32,763 for the years ended December 31, 2009 and 2008, respectively.

NOTE 13 –CONCENTRATION

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

The Organization has entered into an operating lease for certain office equipment. The lease requires total annual payments of approximately \$4,600 and extends through 2010.

The Organization is also lessor of a portion of its building under a month to month lease. Total rental income approximated \$27,000 in 2009 and \$26,000 in 2008.

NOTE 15 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through May 27, 2010 when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

ADDITIONAL INFORMATION

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2009

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 140,751	\$ 302,125	\$ -	\$ 442,876
Investments	642,451	162,007	-	804,458
Contributed support receivable and other receivables	108,295	108,002	(77,939)	138,358
Prepaid expenses	9,406	1,263	-	10,669
Total current assets	<u>900,903</u>	<u>573,397</u>	<u>(77,939)</u>	<u>1,396,361</u>
Property and equipment	767,643	70,637	-	838,280
Less accumulated depreciation	<u>(262,319)</u>	<u>(47,939)</u>	<u>-</u>	<u>(310,258)</u>
	<u>505,324</u>	<u>22,698</u>	<u>-</u>	<u>528,022</u>
Total assets	<u>\$ 1,406,227</u>	<u>\$ 596,095</u>	<u>\$ (77,939)</u>	<u>\$ 1,924,383</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 60,387	\$ 26,978	\$ (77,939)	\$ 9,426
Accrued retirement plan contribution	5,205	-	-	5,205
Accrued vacation	23,622	-	-	23,622
Note payable, current portion	<u>16,391</u>	<u>-</u>	<u>-</u>	<u>16,391</u>
Total current liabilities	<u>105,605</u>	<u>26,978</u>	<u>(77,939)</u>	<u>54,644</u>
Note payable, net of current portion	<u>166,006</u>	<u>-</u>	<u>-</u>	<u>166,006</u>
Total liabilities	<u>271,611</u>	<u>26,978</u>	<u>(77,939)</u>	<u>220,650</u>
Net assets:				
Unrestricted	1,134,616	400,960	-	1,535,576
Temporarily restricted	<u>-</u>	<u>168,157</u>	<u>-</u>	<u>168,157</u>
Total net assets	<u>1,134,616</u>	<u>569,117</u>	<u>-</u>	<u>1,703,733</u>
Total liabilities and net assets	<u>\$ 1,406,227</u>	<u>\$ 596,095</u>	<u>\$ (77,939)</u>	<u>\$ 1,924,383</u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2008

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 195,017	\$ 475,296	\$ -	\$ 670,313
Investments	572,393	88,235	-	660,628
Contributed support receivable and other receivables	121,298	94,269	(69,563)	146,004
Prepaid expenses	14,816	1,263	-	16,079
Total current assets	903,524	659,063	(69,563)	1,493,024
Property and equipment	828,624	73,950	-	902,574
Less accumulated depreciation	(282,941)	(54,419)	-	(337,360)
	545,683	19,531	-	565,214
Total assets	<u>\$ 1,449,207</u>	<u>\$ 678,594</u>	<u>\$ (69,563)</u>	<u>\$ 2,058,238</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 47,647	\$ 27,181	\$ (69,563)	\$ 5,265
Accrued retirement plan contribution	36,918	-	-	36,918
Accrued vacation	23,622	-	-	23,622
Note payable, current portion	15,255	-	-	15,255
Total current liabilities	123,442	27,181	(69,563)	81,060
Note payable, net of current portion	182,111	-	-	182,111
Total liabilities	305,553	27,181	(69,563)	263,171
Net assets:				
Unrestricted	1,139,506	486,413	-	1,625,919
Temporarily restricted	4,148	165,000	-	169,148
Total net assets	1,143,654	651,413	-	1,795,067
Total liabilities and net assets	<u>\$ 1,449,207</u>	<u>\$ 678,594</u>	<u>\$ (69,563)</u>	<u>\$ 2,058,238</u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2009

	State Office		Area Units			Eliminations	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted			
Revenues, gains and other support:							
Direct marketing contributions	\$ 916,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 916,674
Other contributions	292,097	-	248,741	-	-	-	540,838
Special events	154,462	-	138,628	-	-	-	293,090
Investment income (loss), net	125,671	-	22,094	3,157	-	-	150,922
Other income	217,020	-	64,483	-	(228,215)	-	53,288
Other grants	5,237	-	-	-	-	-	5,237
Net assets released from restrictions:							
Satisfaction of program restrictions	4,148	(4,148)	-	-	-	-	-
Total revenues, gains and other support	1,715,309	(4,148)	473,946	3,157	(228,215)		1,960,049
Expenses:							
Games/competition	562,833	-	335,247	-	(73,879)		824,201
Training	85,480	-	23,199	-	(16,738)		91,941
Other program expenses	620,819	-	75,357	-	(99,386)		596,790
Management and general	80,643	-	22,277	-	(15,830)		87,090
Fundraising	370,424	-	103,319	-	(22,382)		451,361
Total expenses	1,720,199	-	559,399	-	(228,215)		2,051,383
Change in net assets	(4,890)	(4,148)	(85,453)	3,157	-		(91,334)
Net assets at beginning of year	1,139,506	4,148	486,413	165,000	-		1,795,067
Net assets at end of year	\$ 1,134,616	\$ -	\$ 400,960	\$ 168,157	\$ -		\$ 1,703,733

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

	State Office		Area Units			Eliminations	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted			
Revenues, gains and other support:							
Direct marketing contributions	\$ 1,037,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,037,632
Other contributions	294,771	-	336,504	165,000	-	-	796,275
Special events	222,773	-	115,148	-	-	-	337,921
Other income	280,640	-	79,018	-	(298,101)	-	61,557
Other grants	11,058	-	-	-	-	-	11,058
Investment income (loss), net	(200,948)	-	(46,250)	-	-	-	(247,198)
Net assets released from restrictions:							
Satisfaction of program restrictions	23,365	(23,365)	-	-	-	-	-
Total revenues, gains and other support	1,669,291	(23,365)	484,420	165,000	(298,101)		1,997,245
Expenses:							
Games/competition	654,191	-	371,918	-	(95,348)		930,761
Training	94,873	-	29,081	-	(21,606)		102,348
Other program expenses	709,523	-	94,604	-	(131,829)		672,298
Management and general	89,941	-	27,862	-	(20,432)		97,371
Fundraising	413,035	-	62,497	-	(28,886)		446,646
Total expenses	1,961,563	-	585,962	-	(298,101)		2,249,424
Change in net assets	(292,272)	(23,365)	(101,542)	165,000	-		(252,179)
Net assets at beginning of year	1,431,778	27,513	587,955	-	-		2,047,246
Net assets at end of year	\$ 1,139,506	\$ 4,148	\$ 486,413	\$ 165,000	\$ -		\$ 1,795,067