

SPECIAL OLYMPICS TENNESSEE, INC.

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

December 31, 2007 and 2006

SPECIAL OLYMPICS TENNESSEE, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4 – 5
Statements of Cash Flows.....	6
Statements of Functional Expenses	7 – 8
Notes to Financial Statements	9 – 17
Additional Information:	
Combining Statements of Financial Position	18 – 19
Combining Statements of Activities.....	20 – 21



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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, 2007 and 2006, 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, 2007 and 2006, 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 18 to 21 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 12, 2008

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 556,099	\$ 747,545
Investments	984,643	822,626
Contributed support receivable and other receivables	213,223	159,719
Prepaid expenses	<u>1,151</u>	<u>14,313</u>
Total current assets	<u>1,755,116</u>	<u>1,744,203</u>
Property and equipment	899,184	892,080
Less accumulated depreciation	<u>(314,891)</u>	<u>(275,186)</u>
	<u>584,293</u>	<u>616,894</u>
Total assets	<u><u>\$ 2,339,409</u></u>	<u><u>\$ 2,361,097</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 27,735	\$ 11,164
Accrued retirement plan contribution	30,468	25,627
Accrued vacation	23,622	23,622
Note payable, current portion	<u>14,199</u>	<u>225,708</u>
Total current liabilities	<u>96,024</u>	<u>286,121</u>
Note payable, net of current portion	<u>196,139</u>	<u>-</u>
Total liabilities	<u>292,163</u>	<u>286,121</u>
Net assets:		
Unrestricted	2,019,733	2,016,088
Temporarily restricted	<u>27,513</u>	<u>58,888</u>
Total net assets	<u>2,047,246</u>	<u>2,074,976</u>
Total liabilities and net assets	<u><u>\$ 2,339,409</u></u>	<u><u>\$ 2,361,097</u></u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 634,812	\$ -	\$ 634,812
Other contributions	549,426	-	549,426
Special events	455,985	-	455,985
Investment income, net	80,450	-	80,450
Other income	74,020	-	74,020
Net assets released from restrictions			
Satisfaction of program restrictions	<u>31,375</u>	<u>(31,375)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,826,068</u>	<u>(31,375)</u>	<u>1,794,693</u>
Expenses:			
Games	946,742	-	946,742
Training	108,788	-	108,788
Other program	403,857	-	403,857
Management and general	92,669	-	92,669
Fundraising	<u>270,367</u>	<u>-</u>	<u>270,367</u>
Total expenses	<u>1,822,423</u>	<u>-</u>	<u>1,822,423</u>
Change in net assets	3,645	(31,375)	(27,730)
Net assets at beginning of year	<u>2,016,088</u>	<u>58,888</u>	<u>2,074,976</u>
Net assets at end of year	<u>\$ 2,019,733</u>	<u>\$ 27,513</u>	<u>\$ 2,047,246</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 645,792	\$ -	\$ 645,792
Other contributions	652,779	-	652,779
Special events	454,112	-	454,112
Investment income, net	114,553	61	114,614
Other income	30,289	-	30,289
Net assets released from restrictions			
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,897,525</u>	<u>61</u>	<u>1,897,586</u>
Expenses:			
Games	1,036,991	-	1,036,991
Training	106,959	-	106,959
Other program	379,049	-	379,049
Management and general	90,504	-	90,504
Fundraising	<u>255,473</u>	<u>-</u>	<u>255,473</u>
Total expenses	<u>1,868,976</u>	<u>-</u>	<u>1,868,976</u>
Change in net assets	28,549	61	28,610
Net assets at beginning of year	<u>1,987,539</u>	<u>58,827</u>	<u>2,046,366</u>
Net assets at end of year	<u>\$ 2,016,088</u>	<u>\$ 58,888</u>	<u>\$ 2,074,976</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ (27,730)	\$ 28,610
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	49,124	45,303
Loss on disposal of property and equipment	-	476
Contribution of equipment	-	(1,200)
Net unrealized and realized gain on investments	(5,790)	(65,079)
Changes in operating assets and liabilities:		
Contributed support receivable and other receivables	(53,504)	(21,861)
Prepaid expenses	13,162	(912)
Accounts payable	16,571	1,231
Accrued retirement plan contribution	4,841	20,420
Net cash (used in) provided by operating activities	<u>(3,326)</u>	<u>6,988</u>
Cash flows from investing activities:		
Purchases of investments	(363,026)	(263,000)
Proceeds from sales of investments	206,799	209,449
Purchases of property and equipment	(16,523)	(48,530)
Net cash used in investing activities	<u>(172,750)</u>	<u>(102,081)</u>
Cash flows from financing activities:		
Payments on note payable	(15,370)	(16,638)
Net cash used in financing activities	<u>(15,370)</u>	<u>(16,638)</u>
Net decrease in cash and cash equivalents	(191,446)	(111,731)
Cash and cash equivalents, beginning of year	<u>747,545</u>	<u>859,276</u>
Cash and cash equivalents, end of year	<u>\$ 556,099</u>	<u>\$ 747,545</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 12,875</u>	<u>\$ 15,020</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2007

	Games	Training	Other Program	Management and General	Fund- raising	Total
Salaries	\$ 278,288	\$ 63,536	\$ 162,652	\$ 50,829	\$ 80,055	\$ 635,360
Retirement plan contributions	12,904	2,946	7,542	2,357	3,712	29,461
Payroll taxes and benefits	60,985	13,923	35,644	11,139	17,544	139,235
Subtotal salaries/benefits	352,177	80,405	205,838	64,325	101,311	804,056
Special events	-	-	2,911	-	135,213	138,124
Travel/meetings/conferences	106,203	3,602	9,319	8,367	3,890	131,381
Meals	108,583	-	-	-	-	108,583
Facilities/lodging	88,337	-	-	-	-	88,337
Supplies	66,247	2,460	11,394	1,968	3,100	85,169
Contracted services	50,809	5,010	12,926	4,008	6,363	79,116
Miscellaneous	59,968	2,903	8,375	3,866	3,658	78,770
Depreciation	21,516	4,912	12,576	3,930	6,190	49,124
SOI program support	-	-	45,971	-	-	45,971
Insurance	-	-	45,357	-	-	45,357
Awards	36,586	-	-	-	872	37,458
Rent	27,770	1,579	4,041	1,263	1,989	36,642
Grants	-	-	29,337	-	-	29,337
Telephone	10,390	2,372	6,072	1,898	2,989	23,721
Interest	5,639	1,287	3,296	1,030	1,622	12,874
Equipment rental/maintenance	5,485	1,252	3,206	1,002	1,578	12,523
Communications	3,359	426	1,092	341	537	5,755
Postage/shipping	2,500	571	1,461	457	719	5,708
Dues and subscriptions	712	1,904	416	130	205	3,367
Printing/production	461	105	269	84	131	1,050
Subtotal other expenses	594,565	28,383	198,019	28,344	169,056	1,018,367
Total expenses	<u>\$ 946,742</u>	<u>\$ 108,788</u>	<u>\$ 403,857</u>	<u>\$ 92,669</u>	<u>\$ 270,367</u>	<u>\$ 1,822,423</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2006

	Games	Training	Other Program	Management and General	Fund- raising	Total
Salaries	\$ 276,268	\$ 63,075	\$ 161,472	\$ 50,460	\$ 79,468	\$ 630,743
Retirement plan contributions	11,175	2,551	6,531	2,041	3,215	25,513
Payroll taxes and benefits	58,572	13,373	34,234	10,698	16,849	133,726
Subtotal salaries/benefits	346,015	78,999	202,237	63,199	99,532	789,982
Special events	-	-	1,743	-	122,032	123,775
Travel/meetings/conferences	215,241	4,434	9,453	7,829	4,100	241,057
Rent	26,037	1,427	3,654	1,143	1,797	34,058
Contracted services	54,926	6,211	16,361	4,969	8,056	90,523
Meals	83,734	-	-	-	-	83,734
Miscellaneous	85,738	1,870	5,714	2,899	2,356	98,577
Facilities/lodging	76,131	-	-	-	-	76,131
Supplies	61,902	2,288	9,975	1,830	2,882	78,877
Depreciation	19,843	4,530	11,598	3,624	5,708	45,303
Awards	34,920	-	-	-	1,117	36,037
Insurance	-	-	47,090	-	-	47,090
SOI program support	-	-	36,043	-	-	36,043
Grants	-	-	18,290	-	-	18,290
Telephone	8,154	1,862	4,766	1,489	2,346	18,617
Communications	7,034	448	1,147	358	565	9,552
Interest	6,579	1,502	3,845	1,202	1,893	15,021
Equipment rental/maintenance	6,995	1,597	4,088	1,278	2,012	15,970
Postage/shipping	3,376	771	1,973	617	971	7,708
Dues and subscriptions	260	995	152	48	75	1,530
Printing/production	106	25	920	19	31	1,101
Subtotal other expenses	690,976	27,960	176,812	27,305	155,941	1,078,994
Total expenses	<u>\$ 1,036,991</u>	<u>\$ 106,959</u>	<u>\$ 379,049</u>	<u>\$ 90,504</u>	<u>\$ 255,473</u>	<u>\$ 1,868,976</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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:

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, 2007 and 2006.

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, 2007 and 2006

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, 2007 and 2006.

Investments

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. SFAS No. 124 requires not-for-profit organizations to report investments in equity securities with readily determinable fair values and all investments in debt securities in the statements of financial position at fair value and report realized and unrealized gains and losses in the statements of activities.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

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

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, 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.

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.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 2 – INVESTMENTS

Investments at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Mutual funds	\$ 775,857	\$ 665,705
Certificates of deposit	9,998	9,998
Bonds	<u>198,788</u>	<u>146,923</u>
Total investments	<u>\$ 984,643</u>	<u>\$ 822,626</u>

During 2007 and 2006, interest and dividends earned from these investments totaled \$74,660 and \$49,535, respectively. Net unrealized and realized gains (losses) on investments amounted to \$5,790 and \$65,079 for 2007 and 2006, respectively.

NOTE 3 – CONTRIBUTED SUPPORT RECEIVABLE AND OTHER RECEIVABLES

Contributed support receivable and other receivables at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Special Olympics International	\$ 53,502	\$ 3,515
Unconditional pledges	19,889	33,690
Other contributed support receivable and other receivables	<u>139,832</u>	<u>122,514</u>
Total contributed support receivable and other receivables	213,223	159,719
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support receivable and other receivables	<u>\$ 213,223</u>	<u>\$ 159,719</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2007</u>	<u>2006</u>
Land	\$ 60,356	\$ 60,356
Land improvements	9,624	9,624
Building	532,416	532,416
Building improvements	67,886	66,388

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

	<u>2007</u>	<u>2006</u>
Equipment and fixtures	153,881	148,275
Automobiles	<u>75,021</u>	<u>75,021</u>
	899,184	892,080
Less accumulated depreciation	<u>(314,891)</u>	<u>(275,186)</u>
	<u>\$ 584,293</u>	<u>\$ 616,894</u>

NOTE 5 – NOTE PAYABLE

Notes payable is as follows at December 31:

	<u>2007</u>	<u>2006</u>
Note payable to bank, interest payable at 6.00%, due on demand, however, if no demand is made, due in monthly principal and interest payments of \$2,435 between November 2002 and September 2007. This arrangement was refinanced in October 2007. The note now bears 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.	\$ 210,338	\$ 225,708
Less current maturities	<u>(14,199)</u>	<u>(225,708)</u>
Note payable less current maturities	<u>\$ 196,139</u>	<u>\$ -</u>

Aggregate maturities of the note payable for the next five years are as follows:

Year ending <u>December 31,</u>	
2008	\$ 14,199
2009	15,255
2010	16,391
2011	17,611
2012	<u>146,882</u>
	<u>\$ 210,338</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Unified Sports Program	\$ 10,393	\$ 26,398
Capital campaign	<u>17,120</u>	<u>32,490</u>
	<u>\$ 27,513</u>	<u>\$ 58,888</u>

The Unified Sports Program Funds amounts were substantially received in 1995 as the result of a settlement agreement from certain litigation by the State of New York against Reebok International.

Amounts raised for the capital campaign are 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 2007 and 2006:

	<u>2007</u>	<u>2006</u>
<u>Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 15,394	\$ 18,660
Direct mail	<u>167,276</u>	<u>156,342</u>
Total support	<u>\$ 182,670</u>	<u>\$ 175,002</u>
Payments to SOI:		
Program support	\$ 36,971	\$ 36,043
Team USA	<u>9,000</u>	<u>-</u>
Total payments	<u>\$ 45,971</u>	<u>\$ 36,043</u>
<u>Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	<u>\$ 53,502</u>	<u>\$ 3,515</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

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, 2007 and 2006 resulted in contributions of \$634,812 and \$645,792, respectively. The Organization's vendor provides revenues generated for the Organization relating to direct mail and telemarketing on a net basis. Accordingly, there are no costs reflected during 2007 or 2006 related to these campaigns in the accompanying statements of activities.

NOTE 9 – OTHER CONTRIBUTIONS

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

	<u>2007</u>	<u>2006</u>
Foundations	\$ 121,910	\$ 66,716
Individuals	48,551	103,580
Corporate	100,022	90,437
Civitans	2,150	2,455
United Way designations	10,073	15,133
In-kind	54,682	149,955
Other	<u>212,038</u>	<u>224,503</u>
	<u>\$ 549,426</u>	<u>\$ 652,779</u>

NOTE 10 – IN-KIND CONTRIBUTIONS

Special Olympics Tennessee, Inc. received in-kind contributions of goods and services for the years ended December 31, 2007 and 2006 consisting of the following:

	<u>2007</u>	<u>2006</u>
Meals	\$ 22,184	\$ 7,128
Facilities and rent	14,842	20,449
Contracted services	9,774	-
Supplies	6,232	6,087
Miscellaneous	1,096	1,300
Telephone	554	504
Travel/meetings/conferences	-	104,642

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 10 – IN-KIND CONTRIBUTIONS (Continued)

	<u>2007</u>	<u>2006</u>
Fundraising	-	5,225
Professional services	-	3,840
Equipment rental	-	780
	<u>\$ 54,682</u>	<u>\$ 149,955</u>

NOTE 11 – 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 \$455,985 and \$454,112 during 2007 and 2006, respectively.

NOTE 12 – SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$92,669 and \$90,504, which approximate 5 percent of revenues, gains, and other support for 2007 and 2006, respectively. Together, fundraising and management and general expenses represent 20 and 18 percent of revenues, gains, and other support in 2007 and 2006, respectively.

NOTE 13 – EMPLOYEE RETIREMENT PLAN

The Organization maintains a 403(b) Tax-Sheltered Annuity retirement program available for eligible employees. Any employee who is at least 21 years old and has completed two years of service is permitted to participate in the plan. Although contributions are not required, 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 \$29,461 and \$25,513 for the years ended December 31, 2007 and 2006, respectively.

NOTE 14 – CONCENTRATIONS

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.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 15 – 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.

ADDITIONAL INFORMATION

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2007

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 131,082	\$ 425,017	\$ -	\$ 556,099
Investments	812,968	171,675	-	984,643
Contributed support receivable and other receivables	274,433	67,338	(128,548)	213,223
Prepaid expenses	1,151	-	-	1,151
Total current assets	<u>1,219,634</u>	<u>664,030</u>	<u>(128,548)</u>	<u>1,755,116</u>
Property and equipment	825,604	73,580	-	899,184
Less accumulated depreciation	<u>(257,791)</u>	<u>(57,100)</u>	<u>-</u>	<u>(314,891)</u>
	<u>567,813</u>	<u>16,480</u>	<u>-</u>	<u>584,293</u>
Total assets	<u><u>\$ 1,787,447</u></u>	<u><u>\$ 680,510</u></u>	<u><u>\$ (128,548)</u></u>	<u><u>\$ 2,339,409</u></u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 63,728	\$ 92,555	\$ (128,548)	\$ 27,735
Accrued retirement plan contribution	30,468	-	-	30,468
Accrued vacation	23,622	-	-	23,622
Note payable, current portion	14,199	-	-	14,199
Total current liabilities	<u>132,017</u>	<u>92,555</u>	<u>(128,548)</u>	<u>96,024</u>
Note payable, net of current portion	<u>196,139</u>	<u>-</u>	<u>-</u>	<u>196,139</u>
Total liabilities	<u>328,156</u>	<u>92,555</u>	<u>(128,548)</u>	<u>292,163</u>
Net assets:				
Unrestricted	1,431,778	587,955	-	2,019,733
Temporarily restricted	27,513	-	-	27,513
Total net assets	<u>1,459,291</u>	<u>587,955</u>	<u>-</u>	<u>2,047,246</u>
Total liabilities and net assets	<u><u>\$ 1,787,447</u></u>	<u><u>\$ 680,510</u></u>	<u><u>\$ (128,548)</u></u>	<u><u>\$ 2,339,409</u></u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2006

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 253,394	\$ 494,151	\$ -	\$ 747,545
Investments	669,980	152,646	-	822,626
Contributed support receivable and other receivables	192,329	82	(32,692)	159,719
Prepaid expenses	14,313	-	-	14,313
Total current assets	<u>1,130,016</u>	<u>646,879</u>	<u>(32,692)</u>	<u>1,744,203</u>
Property and equipment	819,838	72,242	-	892,080
Less accumulated depreciation	<u>(228,136)</u>	<u>(47,050)</u>	<u>-</u>	<u>(275,186)</u>
	<u>591,702</u>	<u>25,192</u>	<u>-</u>	<u>616,894</u>
Total assets	<u><u>\$ 1,721,718</u></u>	<u><u>\$ 672,071</u></u>	<u><u>\$ (32,692)</u></u>	<u><u>\$ 2,361,097</u></u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,709	\$ 41,147	\$ (32,692)	\$ 11,164
Accrued retirement plan contribution	25,627	-	-	25,627
Accrued vacation	23,622	-	-	23,622
Current portion of notes payable	<u>225,708</u>	<u>-</u>	<u>-</u>	<u>225,708</u>
Total liabilities	<u>277,666</u>	<u>41,147</u>	<u>(32,692)</u>	<u>286,121</u>
Net assets:				
Unrestricted	1,385,164	630,924	-	2,016,088
Temporarily restricted	<u>58,888</u>	<u>-</u>	<u>-</u>	<u>58,888</u>
Total net assets	<u>1,444,052</u>	<u>630,924</u>	<u>-</u>	<u>2,074,976</u>
Total liabilities and net assets	<u><u>\$ 1,721,718</u></u>	<u><u>\$ 672,071</u></u>	<u><u>\$ (32,692)</u></u>	<u><u>\$ 2,361,097</u></u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

	State Office		Area Units	Eliminations	Total
	Unrestricted	Temporarily Restricted			
Revenues, gains and other support:					
Direct marketing contributions	\$ 634,812	\$ -	\$ -	\$ -	\$ 634,812
Other contributions	227,804	-	321,622	-	549,426
Special events	251,783	-	204,202	-	455,985
Investment income	60,033	-	20,417	-	80,450
Other income	329,560	-	55,510	(311,050)	74,020
Net assets released from restrictions	31,375	(31,375)	-	-	-
 Total revenues, gains and other support	 1,535,367	 (31,375)	 601,751	 (311,050)	 1,794,693
Expenses:					
Games	681,246	-	379,646	(114,150)	946,742
Training	101,171	-	33,678	(26,061)	108,788
Other program	430,419	-	90,591	(117,153)	403,857
Management and general	85,907	-	27,609	(20,847)	92,669
Fundraising	190,010	-	113,196	(32,839)	270,367
 Total expenses	 1,488,753	 -	 644,720	 (311,050)	 1,822,423
 Change in net assets	 46,614	 (31,375)	 (42,969)	 -	 (27,730)
 Net assets at beginning of year	 1,385,164	 58,888	 630,924	 -	 2,074,976
 Net assets at end of year	 <u>\$ 1,431,778</u>	 <u>\$ 27,513</u>	 <u>\$ 587,955</u>	 <u>\$ -</u>	 <u>\$ 2,047,246</u>

SPECIAL OLYMPICS TENNESSEE, INC.
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

	<u>State Office</u>		<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>			
Revenues, gains and other support:					
Direct marketing contributions	\$ 645,792	\$ -	\$ -	\$ -	\$ 645,792
Other contributions	350,580	-	302,199	-	652,779
Special events	183,200	-	270,912	-	454,112
Investment income	100,713	61	13,840	-	114,614
Other income	256,644	-	24,748	(251,103)	30,289
Net assets released from restrictions	-	-	-	-	-
 Total revenues, gains and other support	 <u>1,536,929</u>	 <u>61</u>	 <u>611,699</u>	 <u>(251,103)</u>	 <u>1,897,586</u>
Expenses:					
Games	749,334	-	387,542	(99,885)	1,036,991
Training	96,788	-	33,493	(23,322)	106,959
Other program	370,303	-	88,921	(80,175)	379,049
Management and general	81,312	-	27,521	(18,329)	90,504
Fundraising	174,154	-	110,711	(29,392)	255,473
 Total expenses	 <u>1,471,891</u>	 <u>-</u>	 <u>648,188</u>	 <u>(251,103)</u>	 <u>1,868,976</u>
 Change in net assets	 65,038	 61	 (36,489)	 -	 28,610
 Net assets at beginning of year	 <u>1,320,126</u>	 <u>58,827</u>	 <u>667,413</u>	 <u>-</u>	 <u>2,046,366</u>
 Net assets at end of year	 <u>\$ 1,385,164</u>	 <u>\$ 58,888</u>	 <u>\$ 630,924</u>	 <u>\$ -</u>	 <u>\$ 2,074,976</u>