

**SPECIAL OLYMPICS TENNESSEE, INC.**

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

**December 31, 2011 and 2010**

**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, 2011 and 2010, 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, 2011 and 2010, 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 financial statements as a whole. The accompanying schedules on pages 21 to 24 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Frasier, Dean & Howard, PLLC*

May 4, 2012

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 382,284	\$ 407,810
Investments	785,468	811,263
Contributed support receivable and other receivables	71,898	135,266
Prepaid expenses	10,167	20,553
	<u>1,249,817</u>	<u>1,374,892</u>
Total current assets		
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>97,770</u>	<u>105,000</u>
Property and equipment	829,869	854,000
Less accumulated depreciation	<u>(353,965)</u>	<u>(347,869)</u>
	<u>475,904</u>	<u>506,131</u>
Total assets	<u><u>\$ 1,823,491</u></u>	<u><u>\$ 1,986,023</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 14,224	\$ 7,998
Accrued vacation	33,577	33,541
Note payable, current portion	<u>149,131</u>	<u>16,128</u>
Total current liabilities	<u>196,932</u>	<u>57,667</u>
Note payable, net of current portion	<u>-</u>	<u>148,881</u>
Total liabilities	<u>196,932</u>	<u>206,548</u>
Net assets:		
Unrestricted:		
Undesignated	1,441,208	1,565,940
Designated by board as agency endowment	97,770	105,000
Temporarily restricted	<u>87,581</u>	<u>108,535</u>
Total net assets	<u>1,626,559</u>	<u>1,779,475</u>
Total liabilities and net assets	<u><u>\$ 1,823,491</u></u>	<u><u>\$ 1,986,023</u></u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 818,449	\$ -	\$ 818,449
Other contributions	467,279	-	467,279
Special events	420,151	-	420,151
Other income	38,526	-	38,526
Other grants	7,768	-	7,768
Investment income, net	2,128	-	2,128
Loss on beneficial interest in assets at Community Foundation of Middle Tennessee	(2,130)	-	(2,130)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>20,954</u>	<u>(20,954)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,773,125</u>	<u>(20,954)</u>	<u>1,752,171</u>
Expenses:			
Games/Competition	739,334	-	739,334
Training	86,823	-	86,823
Other program expenses	567,825	-	567,825
Management and general	83,352	-	83,352
Fundraising	<u>427,753</u>	<u>-</u>	<u>427,753</u>
Total expenses	<u>1,905,087</u>	<u>-</u>	<u>1,905,087</u>
Change in net assets	<u>(131,962)</u>	<u>(20,954)</u>	<u>(152,916)</u>
Net assets at beginning of year	<u>1,670,940</u>	<u>108,535</u>	<u>1,779,475</u>
Net assets at end of year	<u><u>\$ 1,538,978</u></u>	<u><u>\$ 87,581</u></u>	<u><u>\$ 1,626,559</u></u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 890,556	\$ -	\$ 890,556
Other contributions	557,814	-	557,814
Special events	420,264	-	420,264
Investment income, net	70,597	-	70,597
Other income	57,726	-	57,726
Other grants	15,004	-	15,004
Net assets released from restrictions:			
Satisfaction of program restrictions	59,622	(59,622)	-
Total revenues, gains and other support	<u>2,071,583</u>	<u>(59,622)</u>	<u>2,011,961</u>
Expenses:			
Games/Competition	778,722	-	778,722
Training	92,844	-	92,844
Other program expenses	610,044	-	610,044
Management and general	88,453	-	88,453
Fundraising	471,156	-	471,156
Total expenses	<u>2,041,219</u>	<u>-</u>	<u>2,041,219</u>
Change in net assets	<u>30,364</u>	<u>(59,622)</u>	<u>(29,258)</u>
Net assets at beginning of year	<u>1,640,576</u>	<u>168,157</u>	<u>1,808,733</u>
Net assets at end of year	<u><u>\$ 1,670,940</u></u>	<u><u>\$ 108,535</u></u>	<u><u>\$ 1,779,475</u></u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (152,916)	\$ (29,258)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	34,000	37,611
Loss on sale of property and equipment	359	-
Net unrealized and realized loss (gain) on investments	20,835	(45,533)
Net unrealized and realized loss on beneficial interest in assets at Community Foundation of Middle Tennessee	2,130	-
Changes in operating assets and liabilities:		
Contributed support receivable and other receivables	63,368	3,092
Prepaid expenses	10,386	(9,884)
Accounts payable	6,226	(1,428)
Accrued vacation	36	4,714
	<u>(15,576)</u>	<u>(40,686)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Distribution from beneficial interest in assets at Community Foundation of Middle Tennessee	5,100	-
Purchases of investments	(20,040)	(21,311)
Proceeds from sales of investments	25,000	60,039
Purchases of property and equipment	(4,132)	(15,720)
	<u>5,928</u>	<u>23,008</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Payments on note payable	(15,878)	(17,388)
	<u>(15,878)</u>	<u>(17,388)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(25,526)	(35,066)
Cash and cash equivalents, beginning of year	407,810	442,876
Cash and cash equivalents, end of year	<u>\$ 382,284</u>	<u>\$ 407,810</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 11,973</u>	<u>\$ 13,207</u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2011**

	<b>Games/ Competition</b>	<b>Training</b>	<b>Other Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 227,295	\$ 51,505	\$ 163,473	\$ 48,706	\$ 68,860	\$ 559,839
Payroll taxes and benefits	60,637	13,741	43,611	12,994	18,371	149,354
Subtotal salaries/benefits	287,932	65,246	207,084	61,700	87,231	709,193
Direct marketing costs	-	-	189,240	-	189,240	378,480
Special events	-	-	1,219	-	120,760	121,979
Travel/meetings/conferences	101,001	1,891	5,457	1,626	2,299	112,274
Contracted services	50,628	7,184	25,971	6,795	11,189	101,767
Miscellaneous	57,490	2,500	8,915	3,773	3,343	76,021
Supplies	50,615	1,272	7,342	1,203	1,701	62,133
Meals	56,408	-	-	-	-	56,408
Insurance	-	-	42,848	-	-	42,848
SOI program support	-	-	39,244	-	-	39,244
Facilities/lodging	38,950	-	-	-	-	38,950
Awards	37,035	-	-	-	318	37,353
Rent	24,867	1,465	4,650	1,385	1,959	34,326
Depreciation	13,804	3,128	9,928	2,958	4,182	34,000
Telephone	6,290	1,425	4,524	1,348	1,905	15,492
Grants	-	-	12,794	-	-	12,794
Interest	4,860	1,102	3,496	1,042	1,473	11,973
Equipment rental/maintenance	3,496	792	2,515	749	1,059	8,611
Communications	3,808	331	1,051	313	443	5,946
Postage/shipping	1,364	309	982	292	414	3,361
Dues and subscriptions	735	166	528	157	222	1,808
Printing/production	51	12	37	11	15	126
Subtotal other expenses	451,402	21,577	360,741	21,652	340,522	1,195,894
Total expenses	\$ 739,334	\$ 86,823	\$ 567,825	\$ 83,352	\$ 427,753	\$ 1,905,087

See notes to financial statements.



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2010**

	<b>Games/ Competition</b>	<b>Training</b>	<b>Other Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 242,488	\$ 54,948	\$ 174,401	\$ 51,962	\$ 73,463	\$ 597,262
Payroll taxes and benefits	60,797	13,777	43,726	13,028	18,419	149,747
Subtotal salaries/benefits	<u>303,285</u>	<u>68,725</u>	<u>218,127</u>	<u>64,990</u>	<u>91,882</u>	<u>747,009</u>
Direct marketing costs	-	-	216,470	-	216,471	432,941
Travel/meetings/conferences	123,678	2,257	6,037	1,772	2,505	136,249
Special events	-	-	990	-	129,853	130,843
Contracted services	52,768	7,180	24,442	6,791	10,426	101,607
Miscellaneous	76,828	3,575	11,942	4,397	4,780	101,522
Supplies	51,375	1,341	8,253	1,268	1,793	64,030
Meals	42,451	-	-	-	-	42,451
SOI program support	-	-	42,378	-	-	42,378
Insurance	-	-	40,314	-	-	40,314
Depreciation	15,271	3,460	10,982	3,272	4,626	37,611
Rent	27,921	1,455	4,619	1,376	1,945	37,316
Awards	32,744	-	-	-	389	33,133
Facilities/lodging	28,824	-	-	-	-	28,824
Telephone	7,221	1,636	5,194	1,547	2,188	17,786
Interest	5,363	1,215	3,856	1,149	1,624	13,207
Equipment rental/maintenance	4,677	1,060	3,364	1,002	1,417	11,520
Grants	-	-	10,004	-	-	10,004
Communications	3,689	345	1,095	326	461	5,916
Postage/shipping	1,666	378	1,199	357	505	4,105
Dues and subscriptions	885	200	636	190	268	2,179
Printing/production	76	17	142	16	23	274
Subtotal other expenses	<u>475,437</u>	<u>24,119</u>	<u>391,917</u>	<u>23,463</u>	<u>379,274</u>	<u>1,294,210</u>
Total expenses	<u>\$ 778,722</u>	<u>\$ 92,844</u>	<u>\$ 610,044</u>	<u>\$ 88,453</u>	<u>\$ 471,156</u>	<u>\$ 2,041,219</u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**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, 2011 and 2010.

**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 FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**Contributed Support Receivable and Other Receivables**

Contributed support receivable 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, 2011 and 2010.

**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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 interpretation prescribes a minimum probability threshold that a tax position must meet before a

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

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, 2008 through December 31, 2011. The Organization has no tax penalties or interest reported in the accompanying financial statements.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of 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 financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Organization evaluated subsequent events through May 4, 2012 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.

**NOTE 2 – INVESTMENTS**

Investments at December 31, 2011 and 2010 consist of the following:

	<b>2011</b>		<b>2010</b>	
	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>
Mutual funds	\$ 664,977	\$ 681,511	\$ 644,328	\$ 681,533
Exchange traded funds	18,569	28,185	18,569	28,698
Common stock and options	18,050	23,292	18,061	21,633
Fixed income securities	<u>50,420</u>	<u>52,480</u>	<u>75,831</u>	<u>79,399</u>
Total investments	<u>\$ 752,016</u>	<u>\$ 785,468</u>	<u>\$ 756,789</u>	<u>\$ 811,263</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 2 – INVESTMENTS (Continued)**

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.

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 2 – INVESTMENTS (Continued)**

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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Moderate allocation	\$ 178,939	\$ -	\$ -	\$ 178,939
World allocation	155,824	-	-	155,824
Large blend	147,245	-	-	147,245
Large growth	74,468	-	-	74,468
Foreign large blend	53,964	-	-	53,964
Multi-sector bond	37,846	-	-	37,846
Short-term bond	25,342	-	-	25,342
Foreign large value	5,285	-	-	5,285
Europe stock	<u>2,598</u>	<u>-</u>	<u>-</u>	<u>2,598</u>
Total mutual funds	<u>681,511</u>	<u>-</u>	<u>-</u>	<u>681,511</u>
Exchange traded funds:				
Consumer staples	7,721	-	-	7,721
Health	6,672	-	-	6,672
Commodities precious metals	5,684	-	-	5,684
Commodities industrial metals	1,548	-	-	1,548
Mid-cap value	1,672	-	-	1,672
Large growth	1,271	-	-	1,271
Diversified Pacific/Asia	1,237	-	-	1,237
Commodities agriculture	1,213	-	-	1,213
Inflation protected bond	<u>1,167</u>	<u>-</u>	<u>-</u>	<u>1,167</u>
Total exchange traded funds	<u>28,185</u>	<u>-</u>	<u>-</u>	<u>28,185</u>
Common stock and options:				
Consumer goods	9,457	-	-	9,457
Technology	7,237	-	-	7,237
Healthcare	<u>6,598</u>	<u>-</u>	<u>-</u>	<u>6,598</u>
Total common stock and options	<u>23,292</u>	<u>-</u>	<u>-</u>	<u>23,292</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 2 – INVESTMENTS (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities:				
Corporate bonds	<u>52,480</u>	<u>-</u>	<u>-</u>	<u>52,480</u>
Total investments at fair value	<u>\$ 785,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,468</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Moderate allocation	\$ 169,479	\$ -	\$ -	\$ 169,479
World allocation	151,495	-	-	151,495
Large blend	149,876	-	-	149,876
Large growth	78,303	-	-	78,303
Foreign large blend	63,495	-	-	63,495
Multi-sector bond	35,211	-	-	35,211
Short-term bond	25,127	-	-	25,127
Foreign large value	5,714	-	-	5,714
Europe stock	<u>2,833</u>	<u>-</u>	<u>-</u>	<u>2,833</u>
Total mutual funds	<u>681,533</u>	<u>-</u>	<u>-</u>	<u>681,533</u>
Exchange traded funds:				
Consumer staples	7,246	-	-	7,246
Commodities precious metals	6,368	-	-	6,368
Health	6,131	-	-	6,131
Commodities industrial metals	2,028	-	-	2,028
Mid-cap value	1,748	-	-	1,748
Diversified Pacific/Asia	1,483	-	-	1,483
Commodities agriculture	1,359	-	-	1,359
Large growth	1,260	-	-	1,260
Inflation protected bond	<u>1,075</u>	<u>-</u>	<u>-</u>	<u>1,075</u>
Total exchange traded funds	<u>28,698</u>	<u>-</u>	<u>-</u>	<u>28,698</u>



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 2 – INVESTMENTS (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and options:				
Consumer goods	8,655	-	-	8,655
Technology	6,671	-	-	6,671
Healthcare	<u>6,307</u>	<u>-</u>	<u>-</u>	<u>6,307</u>
Total common stock and options	<u>21,633</u>	<u>-</u>	<u>-</u>	<u>21,633</u>
Fixed income securities:				
Corporate bonds	<u>79,399</u>	<u>-</u>	<u>-</u>	<u>79,399</u>
Total investments at fair value	<u>\$ 811,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,263</u>

During 2011 and 2010, interest and dividends earned from these investments totaled \$22,963 and \$25,064, respectively. Net unrealized and realized (losses) gains on investments amounted to (\$20,835) and \$45,533 for 2011 and 2010, respectively.

**NOTE 3 – CONTRIBUTED SUPPORT RECEIVABLE AND OTHER RECEIVABLES**

Contributed support receivable and other receivables at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Special Olympics International	\$ 10,229	\$ 6,557
Unconditional pledges	26,140	27,174
Other contributed support receivable and other receivables	<u>35,529</u>	<u>101,535</u>
Total contributed support receivable and other receivables	71,898	135,266
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support receivable and other receivables	<u>\$ 71,898</u>	<u>\$ 135,266</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2011 and 2010:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Land	\$ 60,356	\$ 60,356
Land improvements	9,624	9,624
Building	532,416	532,416
Building improvements	62,645	62,645
Equipment and fixtures	113,783	137,914
Automobiles	<u>51,045</u>	<u>51,045</u>
	829,869	854,000
Less accumulated depreciation	<u>(353,965)</u>	<u>(347,869)</u>
	<u><u>\$ 475,904</u></u>	<u><u>\$ 506,131</u></u>

**NOTE 5 – NOTE PAYABLE**

Note payable at December 31, 2011 and 2010 is as follows:

	<u><b>2011</b></u>	<u><b>2010</b></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.	\$ 149,131	\$ 165,009
Less current portion	<u>(149,131)</u>	<u>(16,128)</u>
Note payable, net of current portion	<u><u>\$ -</u></u>	<u><u>\$ 148,881</u></u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011 and 2010 consist of the following:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Area 13 activities	\$ 31,071	\$ 42,017
Area 27 activities	<u>56,510</u>	<u>66,518</u>
	<u><u>\$ 87,581</u></u>	<u><u>\$ 108,535</u></u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**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, 2011 and 2010:

	<u><b>2011</b></u>	<u><b>2010</b></u>
<u>Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 11,750	\$ 9,788
Direct mail	<u>139,750</u>	<u>139,792</u>
Total support	<u>\$ 151,500</u>	<u>\$ 149,580</u>
Payments to SOI: Program support	<u>\$ 39,244</u>	<u>\$ 42,378</u>
<u>Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	<u>\$ 10,229</u>	<u>\$ 6,557</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, 2011 and 2010 resulted in contributions of \$818,449 and \$890,556, respectively. The Organization’s vendor provided services relating to direct mail and telemarketing for total costs of \$378,480 and \$432,941, during 2011 and 2010, respectively. The arrangement with the Organization’s vendor has been extended through December 2014.

**NOTE 9 – OTHER CONTRIBUTIONS**

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

	<u><b>2011</b></u>	<u><b>2010</b></u>
Foundations	\$ 122,170	\$ 148,935
Individuals	81,981	73,963
Corporate	59,669	110,270
Civitans	3,000	2,200
United Way designations	8,085	8,279

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 9 – OTHER CONTRIBUTIONS (Continued)**

In-kind facilities, rent, services, meals and other	43,420	48,716
Other	<u>148,954</u>	<u>165,451</u>
	<u>\$ 467,279</u>	<u>\$ 557,814</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 and various other community events. Proceeds from special events totaled \$420,151 and \$420,264 during 2011 and 2010, respectively.

**NOTE 11 – SUPPORTING SERVICES**

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$83,352 and \$88,453 in 2011 and 2010, respectively, which approximate 4% of revenues, gains, and other support for 2011 and 2010. Together, fundraising and management and general expenses represent 29% and 27% of revenues, gains, and other support in 2011 and 2010, respectively.

**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. The Organization did not make any contributions into the plan in 2011 or 2010.

**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.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 14 – LEASES**

The Organization leases a portion of its building to a tenant. The lease arrangement required monthly payments of \$2,203 through June 30, 2011. The lease arrangement with the tenant is currently considered to be month-to-month. Total rental income approximated \$26,000 in 2011 and \$24,000 in 2010.

The Organization has entered into operating leases for certain office space and office equipment. The future minimum lease payments are as follows:

**Years Ending  
December 31,**

2012	\$ 15,595
2013	5,095
2014	5,095
2015	<u>3,397</u>
	<u>\$ 29,182</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 statements of financial position. Changes in the value of the asset are recorded in the accompanying statements of activities.

## **ADDITIONAL INFORMATION**

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 120,805	\$ 261,479	\$ -	\$ 382,284
Investments	645,276	140,192	-	785,468
Contributed support receivable and other receivables	76,707	111,575	(116,384)	71,898
Prepaid expenses	10,162	5	-	10,167
Total current assets	<u>852,950</u>	<u>513,251</u>	<u>(116,384)</u>	<u>1,249,817</u>
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>97,770</u>	<u>-</u>	<u>-</u>	<u>97,770</u>
Property and equipment	756,076	73,793	-	829,869
Less accumulated depreciation	<u>(306,026)</u>	<u>(47,939)</u>	<u>-</u>	<u>(353,965)</u>
	<u>450,050</u>	<u>25,854</u>	<u>-</u>	<u>475,904</u>
Total assets	<u><u>\$ 1,400,770</u></u>	<u><u>\$ 539,105</u></u>	<u><u>\$ (116,384)</u></u>	<u><u>\$ 1,823,491</u></u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 123,143	\$ 7,465	\$ (116,384)	\$ 14,224
Accrued vacation	33,577	-	-	33,577
Note payable, current portion	149,131	-	-	149,131
Total current liabilities	<u>305,851</u>	<u>7,465</u>	<u>(116,384)</u>	<u>196,932</u>
Note payable, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>305,851</u>	<u>7,465</u>	<u>(116,384)</u>	<u>196,932</u>
Net assets:				
Unrestricted:				
Undesignated	997,149	444,059	-	1,441,208
Designated by board as agency endowment	97,770	-	-	97,770
Temporarily restricted	<u>-</u>	<u>87,581</u>	<u>-</u>	<u>87,581</u>
Total net assets	<u>1,094,919</u>	<u>531,640</u>	<u>-</u>	<u>1,626,559</u>
Total liabilities and net assets	<u><u>\$ 1,400,770</u></u>	<u><u>\$ 539,105</u></u>	<u><u>\$ (116,384)</u></u>	<u><u>\$ 1,823,491</u></u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2010**

	<b>State Office</b>	<b>Area Units</b>	<b>Eliminations</b>	<b>Total</b>
	<b>Assets</b>			
Current assets:				
Cash and cash equivalents	\$ 110,074	\$ 297,736	\$ -	\$ 407,810
Investments	674,149	137,114	-	811,263
Contributed support receivable and other receivables	79,368	82,810	(26,912)	135,266
Prepaid expenses	18,486	2,067	-	20,553
Total current assets	882,077	519,727	(26,912)	1,374,892
Beneficial interest in assets at Community Foundation of Middle Tennessee	105,000	-	-	105,000
Property and equipment	782,640	71,360	-	854,000
Less accumulated depreciation	(299,930)	(47,939)	-	(347,869)
	482,710	23,421	-	506,131
Total assets	<u>\$ 1,469,787</u>	<u>\$ 543,148</u>	<u>\$ (26,912)</u>	<u>\$ 1,986,023</u>
	<b>Liabilities and Net Assets</b>			
Current liabilities:				
Accounts payable	\$ 29,585	\$ 5,325	\$ (26,912)	\$ 7,998
Accrued vacation	33,541	-	-	33,541
Note payable, current portion	16,128	-	-	16,128
Total current liabilities	79,254	5,325	(26,912)	57,667
Note payable, net of current portion	148,881	-	-	148,881
Total liabilities	228,135	5,325	(26,912)	206,548
Net assets:				
Unrestricted:				
Undesignated	1,136,652	429,288	-	1,565,940
Designated by board as agency endowment	105,000	-	-	105,000
Temporarily restricted	-	108,535	-	108,535
Total net assets	1,241,652	537,823	-	1,779,475
Total liabilities and net assets	<u>\$ 1,469,787</u>	<u>\$ 543,148</u>	<u>\$ (26,912)</u>	<u>\$ 1,986,023</u>



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2011**

	<b>State Office</b>		<b>Area Units</b>		<b>Eliminations</b>	<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>		
Revenues, gains and other support:						
Direct marketing contributions	\$ 818,449	\$ -	\$ -	\$ -	\$ -	\$ 818,449
Other contributions	221,478	-	245,801	-	-	467,279
Special events	184,610	-	235,541	-	-	420,151
Other income	201,763	-	32,423	-	(195,660)	38,526
Other grants	7,768	-	-	-	-	7,768
Investment income, net	1,986	-	142	-	-	2,128
Loss on beneficial interest in assets at Community Foundation of Middle Tennessee	(2,130)	-	-	-	-	(2,130)
Net assets released from restrictions: Satisfaction of program restrictions	-	-	20,954	(20,954)	-	-
Total revenues, gains and other support	1,433,924	-	534,861	(20,954)	(195,660)	1,752,171
Expenses:						
Games/Competition	494,549	-	314,620	-	(69,835)	739,334
Training	80,480	-	22,171	-	(15,828)	86,823
Other program expenses	567,181	-	74,516	-	(73,872)	567,825
Management and general	76,158	-	22,160	-	(14,966)	83,352
Fundraising	362,289	-	86,623	-	(21,159)	427,753
Total expenses	1,580,657	-	520,090	-	(195,660)	1,905,087
Change in net assets	(146,733)	-	14,771	(20,954)	-	(152,916)
Net assets at beginning of year	1,241,652	-	429,288	108,535	-	1,779,475
Net assets at end of year	\$ 1,094,919	\$ -	\$ 444,059	\$ 87,581	\$ -	\$ 1,626,559

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2010

	<b>State Office</b>		<b>Area Units</b>		<b>Eliminations</b>	<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>		
Revenues, gains and other support:						
Direct marketing contributions	\$ 890,556	\$ -	\$ -	\$ -	\$ -	\$ 890,556
Other contributions	304,648	-	253,166	-	-	557,814
Special events	236,184	-	184,080	-	-	420,264
Investment income (loss), net	62,914	-	7,683	-	-	70,597
Other income	239,263	-	42,435	-	(223,972)	57,726
Other grants	15,004	-	-	-	-	15,004
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	59,622	(59,622)	-	-
Total revenues, gains and other support	1,748,569	-	546,986	(59,622)	(223,972)	2,011,961
Expenses:						
Games/Competition	540,104	-	318,697	-	(80,079)	778,722
Training	87,278	-	23,713	-	(18,147)	92,844
Other program expenses	616,864	-	77,508	-	(84,328)	610,044
Management and general	82,864	-	22,748	-	(17,159)	88,453
Fundraising	419,423	-	75,992	-	(24,259)	471,156
Total expenses	1,746,533	-	518,658	-	(223,972)	2,041,219
Change in net assets	2,036	-	28,328	(59,622)	-	(29,258)
Net assets at beginning of year	1,239,616	-	400,960	168,157	-	1,808,733
Net assets at end of year	\$ 1,241,652	\$ -	\$ 429,288	\$ 108,535	\$ -	\$ 1,779,475