

SPECIAL OLYMPICS TENNESSEE, INC.

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

December 31, 2010 and 2009

SPECIAL OLYMPICS TENNESSEE, INC.

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F R A S I E R , D E A N & H O W A R D , P L L C

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010 and 2009, 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.

As described in Note 15, the Organization restated its net assets effective December 31, 2008 to properly record agency endowment funds held at the Community Foundation of Middle Tennessee.

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, 2010 and 2009, 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 20 to 23 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 11, 2011

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 407,810	\$ 442,876
Investments	811,263	804,458
Contributed support receivable and other receivables	135,266	138,358
Prepaid expenses	20,553	10,669
	<u>1,374,892</u>	<u>1,396,361</u>
Total current assets		
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>105,000</u>	<u>105,000</u>
Property and equipment	854,000	838,280
Less accumulated depreciation	<u>(347,869)</u>	<u>(310,258)</u>
	<u>506,131</u>	<u>528,022</u>
Total assets	<u><u>\$ 1,986,023</u></u>	<u><u>\$ 2,029,383</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,998	\$ 9,426
Accrued retirement plan contribution	-	5,205
Accrued vacation	33,541	23,622
Note payable, current portion	<u>16,128</u>	<u>16,391</u>
Total current liabilities	<u>57,667</u>	<u>54,644</u>
Note payable, net of current portion	<u>148,881</u>	<u>166,006</u>
Total liabilities	<u>206,548</u>	<u>220,650</u>
Net assets:		
Unrestricted:		
Undesignated	1,565,940	1,535,576
Designated by board as agency endowment	105,000	105,000
Temporarily restricted	<u>108,535</u>	<u>168,157</u>
Total net assets	<u>1,779,475</u>	<u>1,808,733</u>
Total liabilities and net assets	<u><u>\$ 1,986,023</u></u>	<u><u>\$ 2,029,383</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>\$ 1,670,940</u>	<u>\$ 108,535</u>	<u>\$ 1,779,475</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
Other income	53,288	-	53,288
Other grants	5,237	-	5,237
Investment income, net	147,765	3,157	150,922
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 - as restated	<u>1,730,919</u>	<u>169,148</u>	<u>1,900,067</u>
Net assets at end of year	<u>\$ 1,640,576</u>	<u>\$ 168,157</u>	<u>\$ 1,808,733</u>

See notes to financial statements.

SPECIAL OLYMPICS TENNESSEE, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (29,258)	\$ (91,334)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	37,611	40,243
Loss on sale of fixed assets	-	4,169
Net unrealized and realized gain on investments	(45,533)	(119,802)
Changes in operating assets and liabilities:		
Contributed support receivable and other receivables	3,092	7,646
Prepaid expenses	(9,884)	5,410
Accounts payable	(1,428)	4,161
Accrued retirement plan contribution and vacation	4,714	(31,713)
Net cash used in operating activities	<u>(40,686)</u>	<u>(181,220)</u>
Cash flows from investing activities:		
Purchases of investments	(21,311)	(152,367)
Proceeds from sales of investments	60,039	128,339
Purchases of property and equipment	(15,720)	(7,220)
Net cash provided by (used in) investing activities	<u>23,008</u>	<u>(31,248)</u>
Cash flows from financing activities:		
Payments on note payable	(17,388)	(14,969)
Net cash used in financing activities	<u>(17,388)</u>	<u>(14,969)</u>
Net decrease in cash and cash equivalents	(35,066)	(227,437)
Cash and cash equivalents, beginning of year	442,876	670,313
Cash and cash equivalents, end of year	<u>\$ 407,810</u>	<u>\$ 442,876</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 13,207</u>	<u>\$ 14,253</u>

See notes to financial statements.

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

	Games/ Competition	Training	Other Program Expenses	Management and General	Fundraising	Total
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	303,285	68,725	218,127	64,990	91,882	747,009
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	475,437	24,119	391,917	23,463	379,274	1,294,210
Total expenses	\$ 778,722	\$ 92,844	\$ 610,044	\$ 88,453	\$ 471,156	\$ 2,041,219

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	-	206,571	413,142
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	22	181
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.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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, 2010 and 2009.

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, 2010 and 2009

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.

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, 2010 and 2009.

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.

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

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

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 has adopted 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, 2010 and 2009

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. This interpretation must be applied to all existing tax positions upon initial adoption. Tax years that remain open for examination include years ended December 31, 2007 through December 31, 2010. The Organization has no tax penalties or interest reported in the accompanying financial statements. Adoption of this pronouncement had no impact on the Organization's financial statements.

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.

Subsequent Events

The Organization evaluated subsequent events through May 11, 2011 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, 2010 and 2009 consist of the following:

	2010		2009	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 644,328	\$ 681,533	\$ 674,449	\$ 680,718
Exchange traded funds	18,569	28,698	-	-
Common stock and options	18,061	21,633	18,061	19,675
Fixed income securities	<u>75,831</u>	<u>79,399</u>	<u>100,861</u>	<u>104,065</u>
Total investments	<u>\$ 756,789</u>	<u>\$ 811,263</u>	<u>\$ 793,371</u>	<u>\$ 804,458</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

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, 2010 and 2009

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, 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	681,533	-	-	681,533
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	28,698	-	-	28,698
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	21,633	-	-	21,633

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 2 – INVESTMENTS (Continued)

Fixed income securities:

Corporate bonds	<u>79,399</u>	<u>-</u>	<u>-</u>	<u>79,399</u>
Total equities	79,399	-	-	79,399

Total investments at fair value	<u>\$ 811,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,263</u>
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The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 680,718	\$ -	\$ -	\$ 680,718
Common stock and options	19,675	-	-	19,675
Fixed income securities	<u>104,065</u>	<u>-</u>	<u>-</u>	<u>104,065</u>
Total assets at fair value	<u>\$ 804,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,458</u>

During 2010 and 2009, interest and dividends earned from these investments totaled \$25,064 and \$31,120, respectively. Net unrealized and realized gains on investments amounted to \$45,533 and \$119,802 for 2010 and 2009, respectively.

NOTE 3 – CONTRIBUTED SUPPORT RECEIVABLE AND OTHER RECEIVABLES

Contributed support receivable and other receivables at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Special Olympics International	\$ 6,557	\$ 2,778
Unconditional pledges	27,174	37,810
Other contributed support receivable and other receivables	<u>101,535</u>	<u>97,770</u>
Total contributed support receivable and other receivables	135,266	138,358
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support receivable and other receivables	<u>\$ 135,266</u>	<u>\$ 138,358</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 60,356	\$ 60,356
Land improvements	9,624	9,624
Building	532,416	532,416
Building improvements	62,645	54,245
Equipment and fixtures	137,914	130,594
Automobiles	<u>51,045</u>	<u>51,045</u>
	854,000	838,280
Less accumulated depreciation	<u>(347,869)</u>	<u>(310,258)</u>
	<u>\$ 506,131</u>	<u>\$ 528,022</u>

NOTE 5 – NOTE PAYABLE

Note payable at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</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.	\$ 165,009	\$ 182,397
Less current portion	<u>(16,128)</u>	<u>(16,391)</u>
Note payable, net of current portion	<u>\$ 148,881</u>	<u>\$ 166,006</u>

Aggregate maturities of the note payable are as follows:

Year ending	
<u>December 31,</u>	
2011	\$ 16,128
2012	<u>148,881</u>
	<u>\$ 165,009</u>

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Area 13 activities	\$ 42,017	\$ 67,064
Area 27 activities	<u>66,518</u>	<u>101,093</u>
	<u>\$ 108,535</u>	<u>\$ 168,157</u>

NOTE 7 – AFFILIATED ORGANIZATION

The Organization is accredited by Special Olympics International, Inc. (SOI) to conduct Special Olympics activities within Tennessee. Following is a summary of transactions with SOI during 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 9,788	\$ 13,692
Direct mail	<u>139,792</u>	<u>150,159</u>
Total support	<u>\$ 149,580</u>	<u>\$ 163,851</u>
Payments to SOI:		
Program support	<u>\$ 42,378</u>	<u>\$ 36,882</u>
<u>Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	<u>\$ 6,557</u>	<u>\$ 2,778</u>

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, 2010 and 2009 resulted in contributions of \$890,556 and \$916,674, respectively. The Organization's vendor provided services relating to direct mail and telemarketing for total costs of \$432,941 and \$413,143, during 2010 and 2009, respectively.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

NOTE 9 – OTHER CONTRIBUTIONS

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

	<u>2010</u>	<u>2009</u>
Foundations	\$ 148,935	\$ 142,473
Individuals	73,963	53,021
Corporate	110,270	97,289
Civilians	2,200	2,975
United Way designations	8,279	8,062
In-kind facilities, rent, services, meals and other	48,716	47,894
Other	<u>165,451</u>	<u>189,124</u>
	<u>\$ 557,814</u>	<u>\$ 540,838</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 \$420,264 and \$293,090 during 2010 and 2009, respectively.

NOTE 11 – SUPPORTING SERVICES

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$88,453 and \$87,090, which approximate 4 percent of revenues, gains, and other support for 2010 and 2009. Together, fundraising and management and general expenses represent 27 percent of revenues, gains, and other support in 2010 and 2009.

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 2010 or 2009.

SPECIAL OLYMPICS TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010 and 2009

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 space. The lease requires total annual payments of approximately \$10,000 and extends through 2012.

The Organization is also lessor of a portion of its building, which requires monthly payments of \$2,203 and extends through June 30, 2011. Total rental income approximated \$24,000 in 2010 and \$27,000 in 2009.

NOTE 15 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE AND RESTATEMENT

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.

During fiscal 2010, the Organization determined that such assets totaling \$105,000 should be recorded in the accompanying financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-25-24 (formerly FASB 136). Accordingly, the Organization has restated its net assets effective December 31, 2008 as follows:

Total net assets as previously recorded at December 31, 2008	\$ 1,795,067
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>105,000</u>
Total net assets, as restated at December 31, 2008	<u>\$ 1,900,067</u>

The Organization has recorded the related asset "beneficial interest in assets at Community Foundation of Middle Tennessee" in the accompanying Statements of Financial Position. The restatement had no significant effect on the Organization's activities for the years ended 2010 and 2009.

ADDITIONAL INFORMATION

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

	State Office	Area Units	Eliminations	Total
Assets				
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	\$ 1,469,787	\$ 543,148	\$ (26,912)	\$ 1,986,023
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 29,585	\$ 5,325	\$ (26,912)	\$ 7,998
Accrued retirement plan contribution	-	-	-	-
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	\$ 1,469,787	\$ 543,148	\$ (26,912)	\$ 1,986,023

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>
Beneficial interest in assets at Community Foundation of Middle Tennessee	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>105,000</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>\$ 1,511,227</u>	<u>\$ 596,095</u>	<u>\$ (77,939)</u>	<u>\$ 2,029,383</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:				
Undesignated	1,134,616	400,960	-	1,535,576
Designated by board as agency endowment	105,000	-	-	105,000
Temporarily restricted	<u>-</u>	<u>168,157</u>	<u>-</u>	<u>168,157</u>
Total net assets	<u>1,239,616</u>	<u>569,117</u>	<u>-</u>	<u>1,808,733</u>
Total liabilities and net assets	<u>\$ 1,511,227</u>	<u>\$ 596,095</u>	<u>\$ (77,939)</u>	<u>\$ 2,029,383</u>

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

	State Office		Area Units			Eliminations	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Restricted		
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

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 - as restated	1,244,506	4,148	486,413	165,000	-	-	1,900,067
Net assets at end of year	\$ 1,239,616	\$ -	\$ 400,960	\$ 168,157	\$ -	\$ -	\$ 1,808,733