

**SPECIAL OLYMPICS TENNESSEE, INC.**

**COMBINED FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**SPECIAL OLYMPICS TENNESSEE, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of Special Olympics Tennessee, Inc. (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Tennessee, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Combining Information

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

*Frazier, Dean & Howard, PLLC*

Nashville, Tennessee  
May 16, 2016

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,016,900	\$ 2,132,916
Investments	2,148,650	1,066,517
Contributed support and other receivables	92,688	96,319
Prepaid expenses	36,193	17,598
	<u>3,294,431</u>	<u>3,313,350</u>
Total current assets		
	<u>3,294,431</u>	<u>3,313,350</u>
Beneficial interest in assets at Community Foundation of Middle Tennessee	105,671	114,605
	<u>105,671</u>	<u>114,605</u>
Property and equipment	187,240	123,389
Less accumulated depreciation	(116,237)	(111,233)
	<u>71,003</u>	<u>12,156</u>
Property and equipment, net		
	<u>71,003</u>	<u>12,156</u>
Total assets	<u>\$ 3,471,105</u>	<u>\$ 3,440,111</u>
	<u>\$ 3,471,105</u>	<u>\$ 3,440,111</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 19,664	\$ 39,225
Accrued vacation	35,441	40,576
	<u>55,105</u>	<u>79,801</u>
Total liabilities		
	<u>55,105</u>	<u>79,801</u>
Net assets:		
Unrestricted:		
Undesignated	3,283,687	3,213,555
Designated by board as agency fund	105,671	114,605
Temporarily restricted	26,642	32,150
	<u>3,416,000</u>	<u>3,360,310</u>
Total net assets		
	<u>3,416,000</u>	<u>3,360,310</u>
Total liabilities and net assets	<u>\$ 3,471,105</u>	<u>\$ 3,440,111</u>
	<u>\$ 3,471,105</u>	<u>\$ 3,440,111</u>

See accompanying notes.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Special events	\$ 832,758	\$ -	\$ 832,758
Direct marketing contributions	594,792	-	594,792
Other contributions (including in-kind of \$73,773)	527,559	-	527,559
Other income	46,127	-	46,127
Investment income, net	23,809	-	23,809
Other grants	4,718	-	4,718
Loss on beneficial interest in assets at Community Foundation of Middle Tennessee	(3,034)	-	(3,034)
Net assets released from restrictions:			
Satisfaction of program restrictions	5,508	(5,508)	-
	<u>2,032,237</u>	<u>(5,508)</u>	<u>2,026,729</u>
Total revenues, gains and other support			
Expenses:			
Games/competition	817,702	-	817,702
Training	76,650	-	76,650
Other program expenses	553,620	-	553,620
	<u>1,447,972</u>	<u>-</u>	<u>1,447,972</u>
Total program expenses			
Management and general	91,667	-	91,667
Fundraising	431,400	-	431,400
	<u>1,971,039</u>	<u>-</u>	<u>1,971,039</u>
Total expenses			
Change in net assets	61,198	(5,508)	55,690
Net assets, beginning of year	<u>3,328,160</u>	<u>32,150</u>	<u>3,360,310</u>
Net assets, end of year	<u>\$ 3,389,358</u>	<u>\$ 26,642</u>	<u>\$ 3,416,000</u>

See accompanying notes.

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

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

See accompanying notes.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 55,690	\$ 1,495,724
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,004	24,744
Gain on sale of property and equipment	-	(1,493,750)
Net unrealized and realized loss (gain) on investments	50,737	(7,628)
Net unrealized and realized loss (gain) on beneficial interest in assets at Community Foundation of Middle Tennessee	3,034	(4,899)
Changes in operating assets and liabilities:		
Contributed support and other receivables	3,631	(11,572)
Prepaid expenses	(18,595)	259
Accounts payable	(19,561)	19,478
Accrued vacation	(5,135)	8,804
Net cash provided by operating activities	<u>74,805</u>	<u>31,160</u>
Cash flows from investing activities:		
Distribution from beneficial interest in assets at Community Foundation of Middle Tennessee	5,900	5,600
Purchases of investments	(1,146,165)	(107,076)
Proceeds from sales of investments	13,295	101,526
Proceeds from sale of property and equipment	-	1,787,955
Purchases of property and equipment	(63,851)	(12,466)
Net cash (used in) provided by investing activities	<u>(1,190,821)</u>	<u>1,775,539</u>
Cash flows from financing activities:		
Payments on note payable	-	(8,481)
Net cash used in financing activities	<u>-</u>	<u>(8,481)</u>
Net (decrease) increase in cash and cash equivalents	(1,116,016)	1,798,218
Cash and cash equivalents, beginning of year	<u>2,132,916</u>	<u>334,698</u>
Cash and cash equivalents, end of year	<u>\$ 1,016,900</u>	<u>\$ 2,132,916</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ 4,968</u>
Supplemental disclosure of financing activities:		
Payments on note payable from proceeds from sale of property and equipment	<u>\$ -</u>	<u>\$ 119,855</u>

See accompanying notes.



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	<b>Games/ Competition</b>	<b>Training</b>	<b>Other Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 214,203	\$ 41,587	\$ 172,046	\$ 50,703	\$ 91,150	\$ 569,689
Payroll taxes and benefits	73,328	14,237	58,897	17,356	31,204	195,022
Subtotal salaries/benefits	287,531	55,824	230,943	68,059	122,354	764,711
Direct marketing costs	-	-	126,540	-	126,539	253,079
Special events	-	-	34,742	-	138,968	173,710
Contracted services (including \$54,947 in-kind)	80,669	9,706	40,152	11,833	21,272	163,632
Travel/meetings/conferences	91,089	1,757	7,407	2,142	3,851	106,246
Supplies	84,240	1,830	7,573	2,232	4,012	99,887
Rent	72,983	708	2,930	863	1,552	79,036
Meals (including \$18,826 in-kind)	72,583	-	-	-	-	72,583
Miscellaneous	46,999	2,464	10,192	3,004	5,400	68,059
Awards	43,589	-	-	-	1,100	44,689
SOI program support	-	-	42,647	-	-	42,647
Insurance	-	-	37,045	-	-	37,045
Facilities/lodging	20,167	-	-	-	-	20,167
Equipment rental/maintenance	4,545	882	3,650	1,076	1,934	12,087
Telephone	4,489	872	3,606	1,063	1,910	11,940
Grants	2,926	1,463	1,463	-	-	5,852
Depreciation	1,882	365	1,511	445	801	5,004
Communications	1,849	359	1,485	438	787	4,918
Postage/shipping	1,478	288	1,187	350	629	3,932
Dues and subscriptions	667	129	536	158	284	1,774
Printing/production	16	3	11	4	7	41
Subtotal other expenses	530,171	20,826	322,677	23,608	309,046	1,206,328
Total expenses	\$ 817,702	\$ 76,650	\$ 553,620	\$ 91,667	\$ 431,400	\$ 1,971,039

See accompanying notes.

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

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

See accompanying notes.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Basis of Presentation**

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

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

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

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

**Contributions**

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Contributed Support and Other Receivables**

Contributed support and other receivables are reviewed annually as to their collectability. Based on collection experience and management's review, no allowance for doubtful amounts is considered necessary at December 31, 2015 and 2014.

**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:

Equipment and fixtures	5 years
Automobiles	3 to 5 years

**In-Kind Contributions**

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

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

**In-Kind Contributions (Continued)**

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

**Functional Expenses**

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

**Income Taxes**

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

The Organization follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax years that remain open for examination include years ended December 31, 2012 through December 31, 2015. The Organization has no tax penalties or interest reported in the accompanying combined financial statements.

**Use of Estimates**

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

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

**Subsequent Events**

The Organization evaluated subsequent events through May 16, 2016 when these combined financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the combined statement of financial position date but prior to the filing of this report that would have a material impact on the combined financial statements.

**NOTE 2 – INVESTMENTS**

Investments at December 31, 2015 and 2014 consist of the following:

	<b>2015</b>		<b>2014</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	\$ 924,136	\$ 1,042,324	\$ 873,131	\$ 1,045,837
Common stock and options	<u>1,109,991</u>	<u>1,106,326</u>	<u>12,889</u>	<u>20,680</u>
Total investments	<u>\$ 2,034,127</u>	<u>\$ 2,148,650</u>	<u>\$ 886,020</u>	<u>\$ 1,066,517</u>

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

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

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

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;

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 2 – INVESTMENTS (Continued)**

- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Short-term bond	\$ 226,858	\$ -	\$ -	\$ 226,858
Moderate allocation	209,986	-	-	209,986
Large blend	222,791	-	-	222,791
World allocation	162,962	-	-	162,962
Large growth	125,465	-	-	125,465
Foreign large blend	63,198	-	-	63,198
Multi-sector bond	24,476	-	-	24,476
Foreign large value	<u>6,588</u>	<u>-</u>	<u>-</u>	<u>6,588</u>
Total mutual funds	<u>1,042,324</u>	<u>-</u>	<u>-</u>	<u>1,042,324</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 2 – INVESTMENTS (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and options:				
Basic materials	369,903	-	-	369,903
Consumer goods	306,540	-	-	306,540
Services	113,367	-	-	113,367
Industrial goods	104,445	-	-	104,445
Healthcare	102,049	-	-	102,049
Technology	55,480	-	-	55,480
Financial	<u>54,542</u>	<u>-</u>	<u>-</u>	<u>54,542</u>
Total common stock and options	<u>1,106,326</u>	<u>-</u>	<u>-</u>	<u>1,106,326</u>
Total investments at fair value	<u>\$ 2,148,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,148,650</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large blend	\$ 226,042	\$ -	\$ -	\$ 226,042
Moderate allocation	213,131	-	-	213,131
Short-term bond	219,750	-	-	219,750
World allocation	167,871	-	-	167,871
Large growth	119,213	-	-	119,213
Foreign large blend	65,941	-	-	65,941
Multi-sector bond	26,709	-	-	26,709
Foreign large value	<u>7,180</u>	<u>-</u>	<u>-</u>	<u>7,180</u>
Total mutual funds	<u>1,045,837</u>	<u>-</u>	<u>-</u>	<u>1,045,837</u>
Common stock and options:				
Healthcare	9,938	-	-	9,938
Technology	9,597	-	-	9,597
Financial	<u>1,145</u>	<u>-</u>	<u>-</u>	<u>1,145</u>
Total common stock and options	<u>20,680</u>	<u>-</u>	<u>-</u>	<u>20,680</u>
Total investments at fair value	<u>\$ 1,066,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,066,517</u>

During 2015 and 2014, interest and dividends earned from these investments totaled \$74,546 and \$56,795, respectively. Net unrealized and realized gains (losses) on investments amounted to (\$50,737) and \$7,628 for 2015 and 2014, respectively.



**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

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

Contributed support and other receivables at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Special Olympics International	\$ 646	\$ -
Unconditional pledges	19,808	16,636
Other contributed support receivable and other receivables	<u>72,234</u>	<u>79,683</u>
Total contributed support and other receivables	92,688	96,319
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support and other receivables	<u>\$ 92,688</u>	<u>\$ 96,319</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Equipment and fixtures	\$ 126,604	\$ 99,061
Automobiles	<u>60,636</u>	<u>24,328</u>
	187,240	123,389
Less accumulated depreciation	<u>(116,237)</u>	<u>(111,233)</u>
	<u>\$ 71,003</u>	<u>\$ 12,156</u>

In December 2014, the Organization sold its land, building and improvements for \$2,000,000 and recognized a gain on the sale of \$1,493,750. Since the sale, the Organization leased back the building under a short term arrangement until it moved to its new location in May 2015. (See Note 13 for discussion of the related lease.)

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2015</u>	<u>2014</u>
Area 27 activities	<u>\$ 26,642</u>	<u>\$ 32,150</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 6 – AFFILIATED ORGANIZATION**

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

	<u>2015</u>	<u>2014</u>
<u>Combined Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 7,281	\$ 5,258
Direct mail marketing campaign	<u>141,391</u>	<u>132,725</u>
Total support	<u>\$ 148,672</u>	<u>\$ 137,983</u>
Payments to SOI: Program support	<u>\$ 42,647</u>	<u>\$ 41,276</u>
<u>Combined Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	<u>\$ 646</u>	<u>\$ -</u>

**NOTE 7 – 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, 2015 and 2014 resulted in contributions of \$452,491 and \$490,778, respectively. The Organization’s vendor provided services for total costs of \$253,079 and \$270,315 during 2015 and 2014, respectively. The arrangement with the Organization’s vendor extends through December 2017.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 8 – OTHER CONTRIBUTIONS**

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

	<u>2015</u>	<u>2014</u>
Foundations	\$ 138,761	\$ 77,509
Individuals	89,862	107,584
Corporate	85,304	119,773
In-kind facilities, rent, services, meals and other	73,773	80,396
United Way designations	6,012	5,551
Civitans	600	2,075
Other	<u>133,247</u>	<u>140,770</u>
	<u>\$ 527,559</u>	<u>\$ 533,658</u>

**NOTE 9 – SPECIAL EVENTS**

The Organization receives support from various special events, some of which are conducted by the Organization and its volunteers throughout the state. Such events include Polar Bear Plunge, Over the Edge, the Golf Classic and various other community events. Proceeds from special events totaled \$832,758 and \$690,229 during 2015 and 2014, respectively.

**NOTE 10 – SUPPORTING SERVICES**

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$91,667 and \$97,219 in 2015 and 2014, respectively, which approximate 5% and 3% of revenues, gains, and other support for 2015 and 2014, respectively. Together, fundraising and management and general expenses represent 26% and 15% of revenues, gains, and other support in 2015 and 2014, respectively.

**NOTE 11 – EMPLOYEE RETIREMENT PLAN**

The Organization maintained a 403(b) tax-sheltered annuity retirement program available for eligible employees. Any employee who was at least 21 years old and had completed two years of service was permitted to participate in the plan. Effective December 31, 2008, the Organization ceased accepting contributions to its 403(b) plan and replaced it with a new 401(k) plan beginning January 1, 2009. Under the 401(k) plan, contributions are not required; however, the Organization may contribute an amount, which vests immediately, as determined by the board of directors based on each employee's total compensation. Employees may also make pretax contributions to the plan. The Organization did not make any contributions into the plan during 2015 or 2014.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 12 – CONCENTRATION**

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

**NOTE 13 – LEASES**

Prior to selling its property in December 2014, the Organization leased a portion of its building to a tenant on a month-to-month basis. Total rental income approximated \$25,000 and \$8,000 in 2015 and 2014, respectively.

In May 2015, the Organization entered into an operating lease for office space. Rent expense under this and other arrangements totaled \$79,036 and \$31,424 for 2015 and 2014, respectively. Future minimum lease payments required under this and other office space and equipment lease arrangements are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 87,651
2017	87,651
2018	52,487
2019	1,511
2020	<u>-</u>
	<u>\$ 229,300</u>

**NOTE 14 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE**

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

## **ADDITIONAL INFORMATION**

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 777,796	\$ 239,104	\$ -	\$ 1,016,900
Investments	1,947,422	201,228	-	2,148,650
Contributed support and other receivables	117,616	300,892	(325,820)	92,688
Prepaid expenses	33,967	2,226	-	36,193
Total current assets	<u>2,876,801</u>	<u>743,450</u>	<u>(325,820)</u>	<u>3,294,431</u>
Beneficial interest in assets at Community Foundation of Middle Tennessee	105,671	-	-	105,671
Property and equipment	154,205	33,035	-	187,240
Less accumulated depreciation	<u>(92,351)</u>	<u>(23,886)</u>	<u>-</u>	<u>(116,237)</u>
Property and equipment, net	<u>61,854</u>	<u>9,149</u>	<u>-</u>	<u>71,003</u>
Total assets	<u><u>\$ 3,044,326</u></u>	<u><u>\$ 752,599</u></u>	<u><u>\$ (325,820)</u></u>	<u><u>\$ 3,471,105</u></u>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 304,128	\$ 41,356	\$ (325,820)	\$ 19,664
Accrued vacation	35,441	-	-	35,441
Total liabilities	<u>339,569</u>	<u>41,356</u>	<u>(325,820)</u>	<u>55,105</u>
Net assets:				
Unrestricted:				
Undesignated	2,599,086	684,601	-	3,283,687
Designated by board as agency fund	105,671	-	-	105,671
Temporarily restricted	<u>-</u>	<u>26,642</u>	<u>-</u>	<u>26,642</u>
Total net assets	<u>2,704,757</u>	<u>711,243</u>	<u>-</u>	<u>3,416,000</u>
Total liabilities and net assets	<u><u>\$ 3,044,326</u></u>	<u><u>\$ 752,599</u></u>	<u><u>\$ (325,820)</u></u>	<u><u>\$ 3,471,105</u></u>

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

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<u>State Office</u>		<u>Area Units</u>		<u>Eliminations</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		
Revenues, gains and other support:						
Special events	\$ 455,348	\$ -	\$ 377,410	\$ -	\$ -	\$ 832,758
Direct marketing contributions	594,792	-	-	-	-	594,792
Other contributions (including in-kind of \$73,773)	320,089	-	207,470	-	-	527,559
Other income	168,030	-	57,588	-	(179,491)	46,127
Investment income, net	20,590	-	3,219	-	-	23,809
Other grants	4,718	-	-	-	-	4,718
Loss on beneficial interest in assets at Community Foundation of Middle Tennessee	(3,034)	-	-	-	-	(3,034)
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	5,508	(5,508)	-	-
Total revenues, gains and other support	<u>1,560,533</u>	<u>-</u>	<u>651,195</u>	<u>(5,508)</u>	<u>(179,491)</u>	<u>2,026,729</u>
Expenses:						
Games/competition	560,876	-	313,996	-	(57,170)	817,702
Training	72,791	-	16,487	-	(12,628)	76,650
Other program expenses	<u>540,809</u>	<u>-</u>	<u>87,956</u>	<u>-</u>	<u>(75,145)</u>	<u>553,620</u>
Total program expenses	1,174,476	-	418,439	-	(144,943)	1,447,972
Management and general	83,913	-	20,103	-	(12,349)	91,667
Fundraising	<u>340,381</u>	<u>-</u>	<u>113,218</u>	<u>-</u>	<u>(22,199)</u>	<u>431,400</u>
Total expenses	<u>1,598,770</u>	<u>-</u>	<u>551,760</u>	<u>-</u>	<u>(179,491)</u>	<u>1,971,039</u>
Change in net assets	(38,237)	-	99,435	(5,508)	-	55,690
Net assets, beginning of year	<u>2,742,994</u>	<u>-</u>	<u>585,166</u>	<u>32,150</u>	<u>-</u>	<u>3,360,310</u>
Net assets, end of year	<u>\$ 2,704,757</u>	<u>\$ -</u>	<u>\$ 684,601</u>	<u>\$ 26,642</u>	<u>\$ -</u>	<u>\$ 3,416,000</u>



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

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