

**SPECIAL OLYMPICS TENNESSEE, INC.**

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

**December 31, 2006 and 2005**

**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, 2006 and 2005, 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, 2006 and 2005, 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 17 to 20 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, 2007

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 747,545	\$ 859,276
Investments	822,626	703,997
Contributed support receivable and other receivables	159,719	137,858
Prepaid expenses	<u>14,313</u>	<u>13,401</u>
Total current assets	<u>1,744,203</u>	<u>1,714,532</u>
Property and equipment	892,080	863,873
Less accumulated depreciation	<u>(275,186)</u>	<u>(250,931)</u>
	<u>616,894</u>	<u>612,942</u>
Total assets	<u><u>\$2,361,097</u></u>	<u><u>\$2,327,474</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 11,164	\$ 9,933
Accrued retirement plan contribution	25,627	28,829
Accrued vacation	23,622	-
Note payable	<u>225,708</u>	<u>242,346</u>
Total liabilities	<u>286,121</u>	<u>281,108</u>
Net assets:		
Unrestricted	2,016,088	1,987,539
Temporarily restricted	<u>58,888</u>	<u>58,827</u>
Total net assets	<u>2,074,976</u>	<u>2,046,366</u>
Total liabilities and net assets	<u><u>\$2,361,097</u></u>	<u><u>\$2,327,474</u></u>

See notes to financial statements.

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

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

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Direct marketing contributions	\$ 605,710	\$ -	\$ 605,710
Other contributions	544,484	-	544,484
Federal and state financial assistance	29,642	-	29,642
Special events	426,588	-	426,588
Investment income, net	54,868	81	54,949
Other income	45,998	-	45,998
Net assets released from restrictions			
Satisfaction of program restrictions	<u>1,429</u>	<u>(1,429)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,708,719</u>	<u>(1,348)</u>	<u>1,707,371</u>
Expenses:			
Games/competition	966,753	-	966,753
Training	133,012	-	133,012
Other program expenses	382,265	-	382,265
Management and general	94,822	-	94,822
Fundraising	<u>239,637</u>	<u>-</u>	<u>239,637</u>
Total expenses	<u>1,816,489</u>	<u>-</u>	<u>1,816,489</u>
Change in net assets	<u>(107,770)</u>	<u>(1,348)</u>	<u>(109,118)</u>
Net assets at beginning of year	<u>2,095,309</u>	<u>60,175</u>	<u>2,155,484</u>
Net assets at end of year	<u><u>\$ 1,987,539</u></u>	<u><u>\$ 58,827</u></u>	<u><u>\$ 2,046,366</u></u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 28,610	\$ (109,118)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,303	51,062
Loss on disposal of property and equipment	476	-
Contribution of equipment	(1,200)	-
Net unrealized and realized gain on investments	(65,079)	(14,953)
Changes in operating assets and liabilities:		
Contributed support receivable and other receivables	(21,861)	17,488
Prepaid expenses	(912)	(528)
Accounts payable	1,231	(316)
Accrued retirement plan contribution	20,420	(1,460)
Net cash provided by (used in) operating activities	<u>6,988</u>	<u>(57,825)</u>
Cash flows from investing activities:		
Purchases of investments	(263,000)	(97,763)
Proceeds from sales of investments	209,449	51,706
Purchases of property and equipment	(48,530)	(19,715)
Net cash used in investing activities	<u>(102,081)</u>	<u>(65,772)</u>
Cash flows from financing activities:		
Payments on note payable	(16,638)	(16,098)
Net cash used in financing activities	<u>(16,638)</u>	<u>(16,098)</u>
Net decrease in cash and cash equivalents	(111,731)	(139,695)
Cash and cash equivalents, beginning of year	859,276	998,971
Cash and cash equivalents, end of year	<u>\$ 747,545</u>	<u>\$ 859,276</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 15,020</u>	<u>\$ 13,126</u>

See notes to financial statements.

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

	<u>Games</u>	<u>Training</u>	<u>Other Program</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 276,268	\$ 63,075	\$ 161,472	\$ 50,460	\$ 79,468	\$ 630,743
Retirement plan contributions	11,175	2,551	6,531	2,041	3,215	25,513
Payroll taxes and benefits	58,572	13,373	34,234	10,698	16,849	133,726
Subtotal salaries/benefits	<u>346,015</u>	<u>78,999</u>	<u>202,237</u>	<u>63,199</u>	<u>99,532</u>	<u>789,982</u>
Special events	-	-	1,743	-	122,032	123,775
Travel/meetings/conferences	215,241	4,434	9,453	7,829	4,100	241,057
Rent	48,137	5,315	13,606	4,252	6,696	78,006
Contracted services	40,789	2,984	8,098	2,387	3,989	58,247
Meals	83,734	-	-	-	-	83,734
Miscellaneous	84,809	1,658	5,172	2,730	2,089	96,458
Facilities/lodging	76,131	-	-	-	-	76,131
Supplies	61,902	2,288	9,975	1,830	2,882	78,877
Depreciation	19,843	4,530	11,598	3,624	5,708	45,303
Awards	34,920	-	-	-	1,117	36,037
Insurance	-	-	47,090	-	-	47,090
SOI program support	-	-	36,043	-	-	36,043
Grants	-	-	18,290	-	-	18,290
Telephone	8,154	1,862	4,766	1,489	2,346	18,617
Interest	6,579	1,502	3,845	1,202	1,893	15,021
Equipment rental/maintenance	6,995	1,597	4,088	1,278	2,012	15,970
Postage/shipping	3,376	771	1,973	617	971	7,708
Dues and subscriptions	260	995	152	48	75	1,530
Printing/production	106	24	920	19	31	1,100
Subtotal other expenses	<u>690,976</u>	<u>27,960</u>	<u>176,812</u>	<u>27,305</u>	<u>155,941</u>	<u>1,078,994</u>
Total expenses	<u>\$ 1,036,991</u>	<u>\$ 106,959</u>	<u>\$ 379,049</u>	<u>\$ 90,504</u>	<u>\$ 255,473</u>	<u>\$ 1,868,976</u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2005

	<u>Games</u>	<u>Training</u>	<u>Other Program</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 258,518	\$ 78,157	\$ 156,313	\$ 54,108	\$ 54,108	\$ 601,204
Payroll taxes and benefits	50,048	15,131	30,262	10,475	10,475	116,391
Retirement plan contributions	12,089	3,655	7,309	2,530	2,530	28,113
Subtotal salaries/benefits	<u>320,655</u>	<u>96,943</u>	<u>193,884</u>	<u>67,113</u>	<u>67,113</u>	<u>745,708</u>
Special events	-	-	-	-	148,440	148,440
Travel/meetings/conferences	106,152	5,731	11,347	3,897	3,071	130,198
Rent	72,929	6,842	13,683	4,736	4,736	102,926
Contracted services	82,420	4,536	9,084	3,140	3,146	102,326
Meals	86,832	-	-	-	-	86,832
Miscellaneous	66,031	1,943	9,205	4,154	1,350	82,683
Facilities/lodging	81,672	-	-	-	-	81,672
Supplies	61,263	2,423	9,077	1,677	1,678	76,118
Depreciation	21,957	6,638	13,276	4,595	4,596	51,062
Awards	39,774	-	-	-	-	39,774
Insurance	-	-	39,600	-	-	39,600
SOI program support	-	-	36,157	-	-	36,157
Grants	710	-	31,038	-	-	31,748
Telephone	9,279	2,805	5,611	1,943	1,942	21,580
Interest	5,644	1,706	3,413	1,182	1,181	13,126
Equipment rental/maintenance	5,277	1,595	3,191	1,104	1,105	12,272
Postage/shipping	3,265	987	1,974	683	683	7,592
Dues and subscriptions	1,818	550	1,099	381	380	4,228
Printing/production	1,075	313	626	217	216	2,447
Subtotal other expenses	<u>646,098</u>	<u>36,069</u>	<u>188,381</u>	<u>27,709</u>	<u>172,524</u>	<u>1,070,781</u>
Total expenses	<u>\$ 966,753</u>	<u>\$ 133,012</u>	<u>\$ 382,265</u>	<u>\$ 94,822</u>	<u>\$ 239,637</u>	<u>\$ 1,816,489</u>

See notes to financial statements.

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

**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, 2006 and 2005.

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

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

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

**Contributions**

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

**Revenue Recognition**

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

**Cash and Cash Equivalents**

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

**Contributed Support Receivable and Other Receivables**

Contributed support receivable and other receivables are reviewed annually as to their collectibility. Based on collection experience and management's review, no allowance for doubtful amounts is considered necessary at December 31, 2006 and 2005.

**Investments**

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

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

**Property and Equipment**

Property and equipment is recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all major classes are as follows:

Building	40 years
Building improvements	10 years
Land improvements	20 years
Equipment and fixtures	5 years
Automobiles	3 to 5 years

**In-Kind Contributions**

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

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

**Functional Expenses**

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

**Income Taxes**

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

**NOTE 2 – INVESTMENTS**

Investments at December 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
<u>Equity Securities:</u>		
Common stocks	\$ -	\$ 144
Equity mutual funds	<u>235,403</u>	<u>207,175</u>
Total equity securities	<u>235,403</u>	<u>207,319</u>
<u>Fixed Income Securities:</u>		
Certificates of deposit	9,998	73,026
Bonds	<u>146,923</u>	<u>65,599</u>
Total fixed income securities	<u>156,921</u>	<u>138,625</u>
<u>Balanced Securities</u>		
Balanced mutual funds	<u>430,302</u>	<u>358,053</u>
Total balanced securities	<u>430,302</u>	<u>358,053</u>
Total investments	<u>\$ 822,626</u>	<u>\$ 703,997</u>

During 2006 and 2005, interest and dividends earned from these investments totaled \$49,535 and \$39,996, respectively. Net unrealized and realized gains (losses) on investments amounted to \$65,079 and \$14,953 for 2006 and 2005, respectively.

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

Contributed support receivable and other receivables at December 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Special Olympics International	\$ 3,515	\$ 1,176
Unconditional pledges	33,690	29,036
Other contributed support receivable and other receivables	<u>122,514</u>	<u>107,646</u>
Total contributed support receivable and other receivables	159,719	137,858
Less noncurrent receivables	<u>-</u>	<u>-</u>
Current contributed support receivable and other receivables	<u>\$ 159,719</u>	<u>\$ 137,858</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Land	\$ 60,356	\$ 60,356
Land improvements	9,624	9,624
Building	532,416	532,416
Building improvements	66,388	63,577
Equipment and fixtures	148,275	147,207
Automobiles	<u>75,021</u>	<u>50,693</u>
	892,080	863,873
Less accumulated depreciation	<u>(275,186)</u>	<u>(250,931)</u>
	<u>\$ 616,894</u>	<u>\$ 612,942</u>

**NOTE 5 – NOTE PAYABLE**

Note payable at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Note payable to bank, interest payable at 6.00%, due on demand, however, if no demand is made, due in monthly principal and interest payments of \$2,435 between November 2002 and September 2007, remaining principal balance due in October 2007.	\$ 225,708	\$ 242,346
Less current maturities	<u>(225,708)</u>	<u>(242,346)</u>
Note payable less current maturities	<u>\$ -</u>	<u>\$ -</u>

Aggregate maturities of the note payable for the next five years are as follows, assuming no demand is made for payment:

<u>Year ending December 31,</u>	
2007	\$ 225,708
2008	-
2009	-
2010	-
2011	<u>-</u>
	<u>\$ 225,708</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

**NOTE 5 – NOTE PAYABLE (Continued)**

The note payable is secured by the Organization's land and building as well as certain vehicles. This note has certain covenants requiring restrictions on the amount of capital expenditures made, the incurrence of additional debt, and a minimum debt service coverage ratio. At December 31, 2006 and 2005, the Organization was in compliance with these covenants.

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2006 and 2005 consists of the following:

	<u>2006</u>	<u>2005</u>
Unified Sports Program	\$ 26,398	\$ 26,337
Capital campaign	<u>32,490</u>	<u>32,490</u>
	<u>\$ 58,888</u>	<u>\$ 58,827</u>

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

Amounts raised for the capital campaign are restricted for debt service relating to the Organization's note payable to bank.

**NOTE 7 – AFFILIATED ORGANIZATION**

The Organization is accredited by Special Olympics International, Inc. (SOI) to conduct Special Olympics activities within Tennessee. Following is a summary of transactions with SOI during 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<u>Statements of Activities</u>		
SOI cooperative national fundraising projects:		
Contributions and promotions	\$ 18,660	\$ 40,404
Direct mail	<u>156,342</u>	<u>146,828</u>
Total support	<u>\$ 175,002</u>	<u>\$ 187,232</u>
Payments to SOI for program support	\$ 36,043	\$ 36,157
<u>Statements of Financial Position</u>		
Contributions receivable from SOI National fundraising projects	\$ 3,515	\$ 1,176

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

**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, 2006 and 2005 resulted in contributions of \$645,792 and \$605,710, respectively. The Organization's vendor provides revenues generated for the Organization relating to direct mail and telemarketing on a net basis. Accordingly, there are no costs reflected during 2006 or 2005 related to these campaigns in the accompanying statements of activities.

**NOTE 9 – OTHER CONTRIBUTIONS**

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

	<u>2006</u>	<u>2005</u>
Foundations	\$ 66,716	\$ 86,085
Individuals	103,580	89,250
Corporate	90,437	91,461
Civitans	2,455	1,900
United Way designations	15,133	18,544
In-kind	149,955	89,853
Other	<u>224,503</u>	<u>167,391</u>
	<u>\$ 652,779</u>	<u>\$ 544,484</u>

**NOTE 10 – IN-KIND CONTRIBUTIONS**

Special Olympics Tennessee, Inc. received in-kind contributions of goods and services for the years ended December 31, 2006 and 2005 consisting of the following:

	<u>2006</u>	<u>2005</u>
Travel/meetings/conferences	\$ 104,642	\$ 1,928
Facilities and rent	20,449	34,075
Meals	7,128	8,223
Supplies	6,087	4,900
Fundraising	5,225	4,700
Professional services	3,840	34,628
Miscellaneous	1,300	699
Equipment rental	780	400
Telephone	<u>504</u>	<u>300</u>
	<u>\$ 149,955</u>	<u>\$ 89,853</u>

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2006 and 2005**

**NOTE 11 – SPECIAL EVENTS**

The Organization receives support from various special events, some of which are conducted by the Organization and its volunteers throughout the state. Such events include law enforcement Torch Run sponsorships, Nashville Golf Classic, Harley Ride and various other community events.

Proceeds from special events totaled \$454,112 and \$426,588 during 2006 and 2005, respectively.

**NOTE 12 – SUPPORTING SERVICES**

Management and general expenses include expenses that are not directly related to specific programs. Management and general expenses totaled \$90,504 and \$94,822, which approximate 5 percent, of revenues, gains, and other support for 2006 and 2005. Together, fundraising and management and general expenses represent 18 and 20 percent of revenues, gains, and other support in 2006 and 2005, respectively.

**NOTE 13 – EMPLOYEE RETIREMENT PLAN**

The Organization maintains a 403(b) Tax-Sheltered Annuity retirement program available for eligible employees. Any employee who is at least 21 years old and has completed two years of service is permitted to participate in the plan. Although contributions are not required, the Organization may contribute an amount which vests immediately, as determined by the board of directors based on each employee's total compensation. Employees may also make pretax contributions to the plan. Retirement plan expense totaled \$25,513 and \$28,113 for the years ended December 31, 2006 and 2005, respectively.

**NOTE 14 – CONCENTRATIONS**

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

**NOTE 15 – LEASES**

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

## **ADDITIONAL INFORMATION**

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

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2005**

	<u>State Office</u>	<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 308,611	\$ 550,665	\$ -	\$ 859,276
Investments	583,226	120,771	-	703,997
Contributed support receivable and other receivables	203,715	40,570	(106,427)	137,858
Prepaid expenses	13,401	-	-	13,401
Total current assets	<u>1,108,953</u>	<u>712,006</u>	<u>(106,427)</u>	<u>1,714,532</u>
Property and equipment	793,548	70,325	-	863,873
Less accumulated depreciation	<u>(203,806)</u>	<u>(47,125)</u>	<u>-</u>	<u>(250,931)</u>
	<u>589,742</u>	<u>23,200</u>	<u>-</u>	<u>612,942</u>
Total assets	<u>\$ 1,698,695</u>	<u>\$ 735,206</u>	<u>\$ (106,427)</u>	<u>\$ 2,327,474</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 47,870	\$ 68,490	\$ (106,427)	\$ 9,933
Accrued retirement plan contribution	28,829	-	-	28,829
Current portion of notes payable	<u>242,346</u>	<u>-</u>	<u>-</u>	<u>242,346</u>
Total current liabilities	<u>319,045</u>	<u>68,490</u>	<u>(106,427)</u>	<u>281,108</u>
Notes payable, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>319,045</u>	<u>68,490</u>	<u>(106,427)</u>	<u>281,108</u>
Net assets:				
Unrestricted	1,320,823	666,716	-	1,987,539
Temporarily restricted	<u>58,827</u>	<u>-</u>	<u>-</u>	<u>58,827</u>
Total net assets	<u>1,379,650</u>	<u>666,716</u>	<u>-</u>	<u>2,046,366</u>
Total liabilities and net assets	<u>\$ 1,698,695</u>	<u>\$ 735,206</u>	<u>\$ (106,427)</u>	<u>\$ 2,327,474</u>

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

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

**SPECIAL OLYMPICS TENNESSEE, INC.**  
**COMBINING STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2005

	<u>State Office</u>		<u>Area Units</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>			
Revenues, gains and other support:					
Direct marketing contributions	\$ 605,710	\$ -	\$ -	\$ -	\$ 605,710
Other contributions	261,015	-	283,469	-	544,484
Federal and state financial assistance	29,642	-	-	-	29,642
Special events	203,956	-	222,632	-	426,588
Investment income	43,435	81	11,433	-	54,949
Other income	255,504	-	53,183	(262,689)	45,998
Net assets released from restrictions	1,429	(1,429)	-	-	-
 Total revenues, gains and other support	 1,400,691	 (1,348)	 570,717	 (262,689)	 1,707,371
Expenses:					
Games/competition	687,086	-	386,585	(106,918)	966,753
Training	120,759	-	41,336	(29,083)	133,012
Other program expenses	372,783	-	95,900	(86,418)	382,265
Management and general	85,470	-	29,487	(20,135)	94,822
Fundraising	162,900	-	96,872	(20,135)	239,637
 Total expenses	 1,428,998	 -	 650,180	 (262,689)	 1,816,489
 Change in net assets	 (28,307)	 (1,348)	 (79,463)	 -	 (109,118)
 Net assets at beginning of year	 1,348,433	 60,175	 746,876	 -	 2,155,484
 Net assets at end of year	 <u>\$ 1,320,126</u>	 <u>\$ 58,827</u>	 <u>\$ 667,413</u>	 <u>\$ -</u>	 <u>\$ 2,046,366</u>