



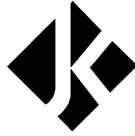
**SPECIAL OLYMPICS GEORGIA, INC.  
ATLANTA, GEORGIA**

**REPORTS ON AUDITS OF  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014**

**SPECIAL OLYMPICS GEORGIA, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**Jones and Kolb  
Certified Public Accountants  
Atlanta, Georgia**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Special Olympics Georgia, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of Special Olympics Georgia, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Olympics Georgia, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on page 18, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Jones and Kolb*

March 14, 2016

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

**ASSETS**

|  | <u>2015</u>                 | <u>2014</u>                 |
|--|-----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>                              |                             |                             |
| Cash and cash equivalents - state accounts         | \$ 977,932                  | \$ 1,075,980                |
| Cash and cash equivalents - area accounts          | <u>1,562,381</u>            | <u>1,407,903</u>            |
| Total cash and cash equivalents                    | 2,540,313                   | 2,483,883                   |
| Investments  | 9,791,775                   | 9,866,545                   |
| Capital campaign pledges receivable, net           | 182,625                     | -                           |
| Honorary board pledges receivable, net             | 40,200                      | 50,000                      |
| Other receivables                                  | 25,844                      | 20,836                      |
| Prepaid expenses                                   | <u>35,199</u>               | <u>72,155</u>               |
| Total current assets                               | <u>12,615,956</u>           | <u>12,493,419</u>           |
| <b>PROPERTY AND EQUIPMENT</b>                      |                             |                             |
| Property and equipment                             | 850,632                     | 384,291                     |
| Less accumulated depreciation                      | <u>(310,741)</u>            | <u>(289,958)</u>            |
| Net property and equipment                         | <u>539,891</u>              | <u>94,333</u>               |
| <b>OTHER ASSETS</b>                                |                             |                             |
| Long-term capital campaign pledges receivable, net | 76,024                      | -                           |
| Long-term honorary board pledges receivable, net   | 24,000                      | 33,900                      |
| Deposits   | <u>9,247</u>                | <u>9,247</u>                |
| Total other assets                                 | <u>109,271</u>              | <u>43,147</u>               |
| Total assets                                       | <u><u>\$ 13,265,118</u></u> | <u><u>\$ 12,630,899</u></u> |

The accompanying notes to financial statements  
are an integral part of these statements.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

**LIABILITIES AND NET ASSETS**

|                                  | <u>2015</u>          | <u>2014</u>          |
|----------------------------------|----------------------|----------------------|
| <b>CURRENT LIABILITIES</b>       |                      |                      |
| Accounts payable                 | \$ 11,247            | \$ 4,531             |
| Accrued vacation                 | 56,084               | 64,365               |
| Accrued rent                     | 20,262               | 28,108               |
| Deferred revenue                 | 245,064              | 207,285              |
|                                  | <hr/>                | <hr/>                |
| Total current liabilities        | 332,657              | 304,289              |
|                                  | <hr/>                | <hr/>                |
| <b>NET ASSETS</b>                |                      |                      |
| Unrestricted                     |                      |                      |
| Undesignated                     | 12,347,741           | 12,242,710           |
| Designated reserve fund          | 500,000              | -                    |
|                                  | <hr/>                | <hr/>                |
| Total unrestricted               | 12,847,741           | 12,242,710           |
| Temporarily restricted           | 84,720               | 83,900               |
|                                  | <hr/>                | <hr/>                |
| Total net assets                 | 12,932,461           | 12,326,610           |
|                                  | <hr/>                | <hr/>                |
| Total liabilities and net assets | <u>\$ 13,265,118</u> | <u>\$ 12,630,899</u> |

The accompanying notes to financial statements  
are an integral part of these statements.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENTS OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>2015<br/>Total</u> | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>2014<br/>Total</u> |
|--|---------------------|-----------------------------------|-----------------------|---------------------|-----------------------------------|-----------------------|
| <b>PUBLIC SUPPORT<br/>AND REVENUE</b>            |                     |                                   |                       |                     |                                   |                       |
| Support and contributions                        | \$ 2,472,491        | \$ 99,000                         | \$ 2,571,491          | \$ 2,214,641        | \$ 132,059                        | \$ 2,346,700          |
| Capital campaign contributions                   | -                   | 510,751                           | 510,751               | -                   | -                                 | -                     |
| Loss on uncollectible pledges                    | -                   | (53,767)                          | (53,767)              | -                   | (28,256)                          | (28,256)              |
| In-kind contributions                            | 205,707             | -                                 | 205,707               | 293,075             | -                                 | 293,075               |
| Investment income (loss)                         | (249,537)           | -                                 | (249,537)             | 399,235             | -                                 | 399,235               |
| Fundraising projects                             | 1,077,387           | -                                 | 1,077,387             | 1,117,638           | -                                 | 1,117,638             |
| Revenue from Special Olympics, Inc.              | 385,864             | -                                 | 385,864               | 399,883             | -                                 | 399,883               |
| Registration and other income                    | 294,897             | -                                 | 294,897               | 244,318             | -                                 | 244,318               |
|  | <u>4,186,809</u>    | <u>555,984</u>                    | <u>4,742,793</u>      | <u>4,668,790</u>    | <u>103,803</u>                    | <u>4,772,593</u>      |
| Total public support<br>and revenue              |                     |                                   |                       |                     |                                   |                       |
| <b>NET ASSETS RELEASED<br/>FROM RESTRICTIONS</b> |                     |                                   |                       |                     |                                   |                       |
| Capital campaign                                 | 466,079             | (466,079)                         | -                     | -                   | -                                 | -                     |
| Honorary board                                   | 89,085              | (89,085)                          | -                     | 82,583              | (82,583)                          | -                     |
|  | <u>555,164</u>      | <u>(555,164)</u>                  | <u>-</u>              | <u>82,583</u>       | <u>(82,583)</u>                   | <u>-</u>              |
| Total net assets released<br>from restrictions   |                     |                                   |                       |                     |                                   |                       |

The accompanying notes to financial statements  
are an integral part of these statements.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENTS OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|                             | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>2015<br/>Total</u> | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>2014<br/>Total</u> |
|-----------------------------|----------------------|-----------------------------------|-----------------------|----------------------|-----------------------------------|-----------------------|
| <b>EXPENSES</b>             |                      |                                   |                       |                      |                                   |                       |
| Program services            |                      |                                   |                       |                      |                                   |                       |
| Sports and training         | 1,431,706            | -                                 | 1,431,706             | 1,482,402            | -                                 | 1,482,402             |
| Field services              | 1,508,711            | -                                 | 1,508,711             | 1,581,556            | -                                 | 1,581,556             |
| Public education            | 189,840              | -                                 | 189,840               | 183,432              | -                                 | 183,432               |
| Total program services      | <u>3,130,257</u>     | <u>-</u>                          | <u>3,130,257</u>      | <u>3,247,390</u>     | <u>-</u>                          | <u>3,247,390</u>      |
| Support services            |                      |                                   |                       |                      |                                   |                       |
| General and administrative  | 207,896              | -                                 | 207,896               | 209,491              | -                                 | 209,491               |
| Development                 | 643,032              | -                                 | 643,032               | 614,211              | -                                 | 614,211               |
| Public relations            | 155,757              | -                                 | 155,757               | 167,152              | -                                 | 167,152               |
| Total support services      | <u>1,006,685</u>     | <u>-</u>                          | <u>1,006,685</u>      | <u>990,854</u>       | <u>-</u>                          | <u>990,854</u>        |
| Total expenses              | <u>4,136,942</u>     | <u>-</u>                          | <u>4,136,942</u>      | <u>4,238,244</u>     | <u>-</u>                          | <u>4,238,244</u>      |
| <b>CHANGE IN NET ASSETS</b> | 605,031              | 820                               | 605,851               | 513,129              | 21,220                            | 534,349               |
| <b>NET ASSETS</b>           |                      |                                   |                       |                      |                                   |                       |
| Beginning of year           | <u>12,242,710</u>    | <u>83,900</u>                     | <u>12,326,610</u>     | <u>11,729,581</u>    | <u>62,680</u>                     | <u>11,792,261</u>     |
| <b>NET ASSETS</b>           |                      |                                   |                       |                      |                                   |                       |
| End of year                 | <u>\$ 12,847,741</u> | <u>\$ 84,720</u>                  | <u>\$ 12,932,461</u>  | <u>\$ 12,242,710</u> | <u>\$ 83,900</u>                  | <u>\$ 12,326,610</u>  |

The accompanying notes to financial statements  
are an integral part of these statements.



**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                    | Program Services    |                     |                   |                     | Support Services           |                   |                   |                     | Total Expenses      |
|------------------------------------|---------------------|---------------------|-------------------|---------------------|----------------------------|-------------------|-------------------|---------------------|---------------------|
|                                    | Sports and Training | Field Services      | Public Education  | Total               | General and Administrative | Development       | Public Relations  | Total               |                     |
| Salaries and benefits              | \$ 437,790          | \$ 358,014          | \$ 149,173        | \$ 944,977          | \$ 104,988                 | \$ 193,722        | \$ 63,208         | \$ 361,918          | \$ 1,306,895        |
| Lodging                            | 460,061             | 24,925              | 165               | 485,151             | -                          | 378               | -                 | 378                 | 485,529             |
| Uniforms                           | 300                 | 206,153             | -                 | 206,453             | -                          | -                 | -                 | -                   | 206,453             |
| Meals                              | 27,176              | 112,609             | 391               | 140,176             | 101                        | 433               | 34                | 568                 | 140,744             |
| Promotion                          | 10,402              | 54,131              | -                 | 64,533              | -                          | 33,294            | -                 | 33,294              | 97,827              |
| Supplies                           | 4,907               | 64,856              | 718               | 70,481              | 454                        | 1,192             | 146               | 1,792               | 72,273              |
| Transportation                     | 24,606              | 121,506             | 2,703             | 148,815             | 1,459                      | 4,264             | 1,381             | 7,104               | 155,919             |
| Rent                               | 31,617              | 46,634              | 9,868             | 88,119              | 6,939                      | 16,192            | 2,004             | 25,135              | 113,254             |
| Awards                             | 16,301              | 187,565             | 80                | 203,946             | 589                        | 20,015            | 360               | 20,964              | 224,910             |
| Payments to Special Olympics, Inc. | 24,553              | 24,937              | 7,673             | 57,163              | 5,371                      | 12,583            | 1,534             | 19,488              | 76,651              |
| Facilities                         | 29,706              | 66,749              | -                 | 96,455              | -                          | 50,023            | 1,249             | 51,272              | 147,727             |
| Other fundraising                  | -                   | -                   | -                 | -                   | -                          | 160,810           | -                 | 160,810             | 160,810             |
| Other games expenses               | 96,390              | 31,709              | -                 | 128,099             | -                          | -                 | -                 | -                   | 128,099             |
| Printing                           | 494                 | 13,249              | 163               | 13,906              | 185                        | 2,468             | 432               | 3,085               | 16,991              |
| Equipment rental and maintenance   | 13,779              | 15,554              | 4,319             | 33,652              | 3,044                      | 7,084             | 876               | 11,004              | 44,656              |
| Insurance                          | 21,058              | 21,332              | 5,657             | 48,047              | 3,967                      | 9,271             | 1,138             | 14,376              | 62,423              |
| Postage and shipping               | 1,014               | 3,961               | -                 | 4,975               | 969                        | 7,742             | 30                | 8,741               | 13,716              |
| Investment expenses                | -                   | -                   | -                 | -                   | 69,910                     | -                 | -                 | 69,910              | 69,910              |
| Telephone                          | 4,252               | 10,597              | 1,409             | 16,258              | 966                        | 2,232             | 382               | 3,580               | 19,838              |
| Professional fees                  | 7,167               | 7,274               | 2,238             | 16,679              | 1,570                      | 4,773             | 451               | 6,794               | 23,473              |
| Contract services                  | 8,911               | 56,515              | 1,188             | 66,614              | 833                        | 42,436            | 80,877            | 124,146             | 190,760             |
| Volunteer professional development | 922                 | 35,551              | -                 | 36,473              | 670                        | 37,166            | 745               | 38,581              | 75,054              |
| Other expenses                     | 4,204               | 33,365              | 549               | 38,118              | 2,885                      | 20,671            | 185               | 23,741              | 61,859              |
| In-kind expenses                   | 194,730             | -                   | -                 | 194,730             | 500                        | 10,477            | -                 | 10,977              | 205,707             |
| Depreciation                       | 11,366              | 11,525              | 3,546             | 26,437              | 2,496                      | 5,806             | 725               | 9,027               | 35,464              |
| <b>Total expenses</b>              | <b>\$ 1,431,706</b> | <b>\$ 1,508,711</b> | <b>\$ 189,840</b> | <b>\$ 3,130,257</b> | <b>\$ 207,896</b>          | <b>\$ 643,032</b> | <b>\$ 155,757</b> | <b>\$ 1,006,685</b> | <b>\$ 4,136,942</b> |

The accompanying notes to financial statements  
are an integral part of this statement.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                    | Program Services    |                     |                   |                     | Support Services           |                   |                   |                   | Total Expenses      |
|------------------------------------|---------------------|---------------------|-------------------|---------------------|----------------------------|-------------------|-------------------|-------------------|---------------------|
|                                    | Sports and Training | Field Services      | Public Education  | Total               | General and Administrative | Development       | Public Relations  | Total             |                     |
| Salaries and benefits              | \$ 402,149          | \$ 386,670          | \$ 144,138        | \$ 932,957          | \$ 102,277                 | \$ 213,476        | \$ 63,900         | \$ 379,653        | \$ 1,312,610        |
| Lodging                            | 435,947             | 18,521              | 112               | 454,580             | 91                         | 204               | 62                | 357               | 454,937             |
| Uniforms                           | 5,425               | 171,644             | -                 | 177,069             | -                          | -                 | -                 | -                 | 177,069             |
| Meals                              | 25,943              | 86,054              | 313               | 112,310             | 408                        | 572               | 70                | 1,050             | 113,360             |
| Promotion                          | 15,839              | 48,325              | -                 | 64,164              | -                          | 38,887            | -                 | 38,887            | 103,051             |
| Supplies                           | 6,867               | 77,116              | 874               | 84,857              | 642                        | 1,482             | 169               | 2,293             | 87,150              |
| Transportation                     | 28,756              | 85,119              | 2,494             | 116,369             | 1,379                      | 3,952             | 1,030             | 6,361             | 122,730             |
| Rent                               | 32,292              | 43,336              | 10,084            | 85,712              | 7,077                      | 16,525            | 2,034             | 25,636            | 111,348             |
| Awards                             | 21,917              | 155,864             | 38                | 177,819             | 643                        | 25,274            | 480               | 26,397            | 204,216             |
| Payments to Special Olympics, Inc. | 23,433              | 24,468              | 6,952             | 54,853              | 5,126                      | 11,639            | 1,464             | 18,229            | 73,082              |
| Facilities                         | 31,835              | 78,169              | -                 | 110,004             | -                          | 41,972            | 752               | 42,724            | 152,728             |
| Other fundraising                  | -                   | -                   | -                 | -                   | -                          | 98,296            | -                 | 98,296            | 98,296              |
| Other games expenses               | 88,998              | 56,925              | -                 | 145,923             | -                          | -                 | -                 | -                 | 145,923             |
| Printing                           | 506                 | 9,485               | 173               | 10,164              | 577                        | 1,915             | 34                | 2,526             | 12,690              |
| Equipment rental and maintenance   | 13,045              | 16,600              | 4,431             | 34,076              | 3,118                      | 7,267             | 896               | 11,281            | 45,357              |
| Insurance                          | 18,247              | 18,532              | 5,702             | 42,481              | 3,992                      | 9,352             | 1,140             | 14,484            | 56,965              |
| Postage and shipping               | 1,202               | 6,552               | 85                | 7,839               | 755                        | 8,270             | 199               | 9,224             | 17,063              |
| Investment expenses                | -                   | -                   | -                 | -                   | 72,872                     | -                 | -                 | 72,872            | 72,872              |
| Telephone                          | 4,040               | 11,596              | 1,380             | 17,016              | 1,223                      | 2,407             | 430               | 4,060             | 21,076              |
| Professional fees                  | 6,406               | 6,507               | 2,002             | 14,915              | 1,401                      | 3,283             | 400               | 5,084             | 19,999              |
| Contract services                  | 6,112               | 124,598             | 879               | 131,589             | 435                        | 53,049            | 90,566            | 144,050           | 275,639             |
| Volunteer professional development | 12,437              | 71,842              | -                 | 84,279              | 753                        | 36,295            | 1,063             | 38,111            | 122,390             |
| Other expenses                     | 4,238               | 72,770              | 432               | 77,440              | 3,481                      | 29,990            | 281               | 33,752            | 111,192             |
| In-kind expenses                   | 286,055             | -                   | -                 | 286,055             | 888                        | 4,632             | 1,500             | 7,020             | 293,075             |
| Depreciation                       | 10,713              | 10,863              | 3,343             | 24,919              | 2,353                      | 5,472             | 682               | 8,507             | 33,426              |
| <b>Total expenses</b>              | <b>\$ 1,482,402</b> | <b>\$ 1,581,556</b> | <b>\$ 183,432</b> | <b>\$ 3,247,390</b> | <b>\$ 209,491</b>          | <b>\$ 614,211</b> | <b>\$ 167,152</b> | <b>\$ 990,854</b> | <b>\$ 4,238,244</b> |

The accompanying notes to financial statements  
are an integral part of this statement.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|   | <u>2015</u>        | <u>2014</u>        |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                    |
| Change in net assets  | \$ 605,851         | \$ 534,349         |
| <br>  |                    |                    |
| ADJUSTMENTS TO RECONCILE CHANGE IN<br>NET ASSETS TO NET CASH AND CASH<br>EQUIVALENTS PROVIDED BY<br>OPERATING ACTIVITIES: |                    |                    |
| Depreciation expense  | 35,464             | 33,426             |
| Write-off of uncollectible pledges  | 46,203             | 22,051             |
| Unrealized and realized (gain) loss on investments  | 514,973            | (175,180)          |
| Capital campaign contributions  | (510,751)          | -                  |
| Decrease (increase) in operating assets:  |                    |                    |
| Honorary board pledges receivable   | (2,351)            | (43,271)           |
| Other receivables   | (5,008)            | (4,465)            |
| Prepaid expenses  | 36,956             | (23,182)           |
| (Decrease) increase in operating liabilities:   |                    |                    |
| Accounts payable  | 6,716              | (28,419)           |
| Accrued expenses  | (16,127)           | 87                 |
| Deferred revenue  | 37,779             | (9,802)            |
| <br>  |                    |                    |
| Total adjustments   | <u>143,854</u>     | <u>(228,755)</u>   |
| <br>  |                    |                    |
| Net cash and cash equivalents provided by<br>operating activities   | <u>749,705</u>     | <u>305,594</u>     |
| <br>  |                    |                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                    |
| Purchases of property and equipment   | (481,022)          | (33,626)           |
| Proceeds from sales of investments  | 7,428,528          | 2,922,603          |
| Purchases of investments  | <u>(7,868,731)</u> | <u>(2,749,867)</u> |
| <br>  |                    |                    |
| Net cash and cash equivalents provided by (used in)<br>investing activities   | <u>(921,225)</u>   | <u>139,110</u>     |

The accompanying notes to financial statements  
are an integral part of these statements.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |              |              |
| Proceeds from capital campaign                                    | 227,950      | -            |
| Net cash and cash equivalents provided by<br>financing activities | 227,950      | -            |
| <b>NET INCREASE IN CASH</b>                                       | 56,430       | 444,704      |
| <b>CASH AND CASH EQUIVALENTS, Beginning of year</b>               | 2,483,883    | 2,039,179    |
| <b>CASH AND CASH EQUIVALENTS, End of year</b>                     | \$ 2,540,313 | \$ 2,483,883 |

The accompanying notes to financial statements  
are an integral part of these statements.

**SPECIAL OLYMPICS GEORGIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Special Olympics Georgia, Inc. (the "Organization") is a Georgia not-for-profit corporation that is accredited by Special Olympics, Incorporated ("SOI") to conduct "Special Olympics activities" within the State of Georgia. The Organization provides year-round programs of sports training and athletic competition for children and adults with intellectual disabilities in Georgia. The major program activities are divided into the following three areas:

Sports and training – includes but is not limited to planning, implementing, managing and evaluating the five state competitions held throughout the year.

Field services – includes but is not limited to providing services and support to local and area agencies and volunteers.

Public education – includes but is not limited to activities associated with increasing public awareness and knowledge about the activities and benefits of the Organization's programs.

The programs are supported primarily through contributions from individuals, corporations and foundations.

The Organization's financial statements include the combined accounts of the state office and all area and county programs, presented net of intra-organization transactions.

B. The Organization classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein have been classified as unrestricted, temporarily restricted and permanently restricted.

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.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. The Organization did not have any permanently restricted net assets as of December 31, 2015 and 2014.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the

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restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

C. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. For honorary board pledges received during the years ended December 31, 2015 and 2014, the discount rate used was 1.19% and 0.46%, respectively. Amortization of the discounts is included in support and contributions in the accompanying Statements of Activities and Net Assets. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

D. The costs of providing program services and other activities have been summarized on a functional basis in the accompanying Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the various program and supporting services benefited.

E. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

F. The Organization considers all highly liquid debt instruments with a maturity of three months or less at the date of purchase, not held in the investment account, to be cash and cash equivalents.

G. The Organization maintains its cash balances with high-credit quality financial institutions. At times, such balances may be in excess of the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

H. Investments include common stocks, mutual funds, U.S. treasuries, corporate obligations, exchange traded funds, government related securities and money market accounts. Interest, dividends and increases and decreases in market value are reported as investment income in the accompanying Statements of Activities and Net Assets.

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I. Various individuals, corporations and foundations donate significant services, facilities and materials to the Organization for use in its programs. For the years ended December 31, 2015 and 2014, contributed materials and facilities of \$198,007 and \$277,066, respectively, have been recorded at the estimated fair market value at the date of donation, and have been included in revenue and expenses in the accompanying Statements of Activities and Net Assets. Of these amounts, \$171,682 in 2015 and \$262,546 in 2014 relate to materials, food and facilities for the Winter, Fall, Summer and World Games; \$26,325 in 2015 and \$14,520 in 2014 relate to advertising to promote the annual Polar Plunge, Duck Derby and Fall Games.

Contributed services are recognized if the services received (a) create or enhance non-financial 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.

Professional services for photography and entertainment of \$7,700 and \$16,009 for the Winter and Summer Games were recorded for the years ended December 31, 2015 and 2014, respectively.

A substantial number of volunteers donated a significant amount of time to assist in the Organization's program services and fundraising activities. These contributed services are not recorded in the financial statements, as the services do not meet the criteria noted above. The Organization received approximately 84,000 and 78,000 hours of donated services for the years ended December 31, 2015 and 2014, respectively.

J. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are recorded at cost and donated assets are recorded at their estimated fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful life of the asset ranging from three to five years.

K. Deferred revenue represents annual athlete registration, Winter Games registration, event sponsorships and advance monies received under a reimbursement grant.

Deferred revenue consists of the following as of December 31:

|                                       | <u>2015</u>       | <u>2014</u>       |
|---------------------------------------|-------------------|-------------------|
| Games and annual athlete registration | \$ 29,139         | \$ 21,925         |
| Event sponsorships                    | 215,122           | 184,627           |
| Reimbursement grant                   | 803               | 733               |
|                                       | <u>          </u> | <u>          </u> |
| Total                                 | <u>\$ 245,064</u> | <u>\$ 207,285</u> |

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L. The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). However, the Organization is subject to IRC Section 511(a) for income taxes on unrelated business income. The Organization had no tax liability as of December 31, 2015 and 2014. The Organization has evaluated all tax positions taken on its tax returns and believes that all positions are more likely-than-not to be sustained upon examination. Currently, tax years prior to 2012 are no longer open and subject to examination by the Internal Revenue Service. The Organization is not currently under audit nor has the Organization been contacted by the Internal Revenue Service.

The Internal Revenue Service has classified the Organization as a publicly supported charitable organization as described in Section 509(a) of the Internal Revenue Code which allows donors to take the maximum charitable contribution deduction.

M. Management has evaluated subsequent events through March 14, 2016, which is the date these financial statements were available to be issued.

**2. CAPITAL CAMPAIGN**

During the year ended December 31, 2015, the Organization launched its "Igniting the Flame of Hope" capital campaign (the "Campaign") to fund a permanent home for the Organization including the "Training for Life: Sports Lab and Center". See Note 5. The goal for the Campaign is to raise a total of \$5 million to fund the construction costs of the new facility. Campaign pledges and payments received from donors as of December 31, 2015 totaled approximately \$510,000.

**3. PLEDGES RECEIVABLE**

Pledges receivable are summarized as follows:

|                          | <u>2015</u>       | <u>2014</u>      |
|--------------------------|-------------------|------------------|
| Capital campaign pledges | \$ 282,801        | \$ -             |
| Honorary board pledges   | <u>82,775</u>     | <u>103,169</u>   |
| Total pledges            | 365,576           | 103,169          |
| Less allowance           | <u>(42,727)</u>   | <u>(19,269)</u>  |
| Total pledges, net       | <u>\$ 322,849</u> | <u>\$ 83,900</u> |



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|                   | <u>2015</u>           | <u>2014</u>           |
|-------------------|-----------------------|-----------------------|
| Amount due in:    |                       |                       |
| 2016              | \$ 254,470            | \$ 61,500             |
| 2017              | 93,436                | 41,669                |
| 2018              | <u>17,670</u>         | <u>-</u>              |
| <br>Total pledges | <br><u>\$ 365,576</u> | <br><u>\$ 103,169</u> |

The allowance for capital campaign pledges was \$24,152 as of December 31, 2015. The allowance for honorary board pledges was \$18,575 and \$19,269 as of December 31, 2015 and 2014, respectively.

#### **4. INVESTMENTS**

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within this hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets or other observable inputs other than quoted market prices. Level 3 within the hierarchy states that valuations are based on significant unobservable inputs. As of December 31, 2015 and 2014, the only assets that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 and Level 2 of the valuation hierarchy.

The Organization used the following methods and significant assumptions to estimate fair value:

Common stocks, mutual funds, exchange traded funds and U.S. treasuries - Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate obligations and government related securities - Valued based on quoted prices for similar assets.

Money market accounts - Valued as cash and cash equivalents which approximates fair market value.

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

|                                | <b>2015</b>         |                   |                     |
|--------------------------------|---------------------|-------------------|---------------------|
|                                | <b>Level 1</b>      | <b>Level 2</b>    | <b>Total</b>        |
| Common stocks and mutual funds | \$ 6,889,682        | \$ -              | \$ 6,889,682        |
| Exchange traded funds          | 1,898,185           | -                 | 1,898,185           |
| Money market accounts          | 299,449             | -                 | 299,449             |
| U.S. treasuries                | 51,633              | -                 | 51,633              |
| Corportate obligations         | -                   | 652,826           | 652,826             |
|                                | <b>\$ 9,138,949</b> | <b>\$ 652,826</b> | <b>\$ 9,791,775</b> |
|                                | <b>2014</b>         |                   |                     |
|                                | <b>Level 1</b>      | <b>Level 2</b>    | <b>Total</b>        |
| Common stocks and mutual funds | \$ 8,081,583        | \$ -              | \$ 8,081,583        |
| Money market accounts          | 1,253,460           | -                 | 1,253,460           |
| U.S. treasuries                | 51,116              | -                 | 51,116              |
| Corportate obligations         | -                   | 426,373           | 426,373             |
| Government related securities  | -                   | 54,013            | 54,013              |
|                                | <b>\$ 9,386,159</b> | <b>\$ 480,386</b> | <b>\$ 9,866,545</b> |

Investment income, net of investment expense is composed of the following for the years ended December 31:

|  | <b>2015</b>         | <b>2014</b>       |
|--|---------------------|-------------------|
| Interest and dividends                   | \$ 265,436          | \$ 224,055        |
| Net realized gain on sales of securities | 424,907             | 755,741           |
| Net unrealized loss on securities        | (939,880)           | (580,561)         |
| Investment income (loss)                 | (249,537)           | 399,235           |
| Less investment expenses                 | (69,910)            | (72,872)          |
| Investment income, net (loss)            | <b>\$ (319,447)</b> | <b>\$ 326,363</b> |

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**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

|                                 | <u>2015</u>           | <u>2014</u>          |
|---------------------------------|-----------------------|----------------------|
| Land                            | \$ 430,000            | \$ -                 |
| Office equipment                | 325,980               | 327,893              |
| Vehicles                        | 41,279                | 41,279               |
| Construction in progress        | 36,079                | -                    |
| Furniture and fixtures          | <u>17,294</u>         | <u>15,119</u>        |
| <br>Total                       | <br>850,632           | <br>384,291          |
| Less accumulated depreciation   | <u>(310,741)</u>      | <u>(289,958)</u>     |
| <br>Property and equipment, net | <br><u>\$ 539,891</u> | <br><u>\$ 94,333</u> |

During the year ended December 31, 2015, the Organization acquired land and began construction on its new permanent facility. The Organization is in the process of negotiating the final construction contract which is expected to be around \$4.4 million.

Depreciation expense was \$35,464 and \$33,426 for the years ended December 31, 2015 and 2014, respectively.

**6. LEASE COMMITMENTS**

In September 2004, the Organization leased new state office facilities under a non-cancelable operating lease, which was set to expire in May 2012. On September 16, 2011, the Organization signed an Amendment to the state office facilities lease to extend the lease term to November 30, 2017. The new lease continues the requirement for the Organization to pay base monthly rent plus common area maintenance. The base monthly rent expense includes a yearly escalation of approximately 2.5%.

The Organization is required to pay the maintenance fee for the entire term amendment, but received an abatement of the base monthly rent for the first seven months of the term amendment. The Organization records rent expense on the straight-line basis in accordance with accounting principles generally accepted in the United States of America.

On December 19, 2011, the Special Olympics office in Valdosta, Georgia entered into a lease agreement for a 24 month lease term beginning on January 1, 2012. The lease payment was \$600

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per month for the lease term. On August 1, 2013, the Organization's Valdosta office signed into an amendment to extend the lease term to July 31, 2016. The amendment increased the monthly lease payment to \$1,075 per month. There remains an automatic renewal clause for an additional two year period unless either party terminates thirty days prior to the date of expiration.

Future minimum rental payments required under these leases are as follows:

| <u>Year ending December 31:</u> | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2016                            | \$ 81,415         |
| 2017                            | <u>71,371</u>     |
| Total                           | <u>\$ 152,786</u> |

Total rent expense, including utilities and other costs, for the years ended December 31, 2015 and 2014 totaled \$113,254 and \$111,348, respectively.

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of December 31:

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
| Capital campaign                        | \$ 20,520        | \$ -             |
| Honorary board                          | <u>64,200</u>    | <u>83,900</u>    |
| Total temporarily restricted net assets | <u>\$ 84,720</u> | <u>\$ 83,900</u> |

**8. PENSION PLAN**

The Organization maintains a self-directed simplified employee pension plan for all employees who have completed three years of service. The Plan provides for the Organization to make contributions in the amount of five percent of the compensation of eligible participants. Each eligible participant is fully vested when the contribution is made. Investments of each participant's account balance are self-directed. The Organization's contributions for the years ended December 31, 2015 and 2014 were \$29,062 and \$29,553, respectively.

Subsequent to year-end, the Organization terminated the self-directed simplified employee pension plan and started a 403(b) retirement savings plan.

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**9. RELATED PARTY TRANSACTIONS**

Revenues from Special Olympics, Inc. consists of the following for the years ended December 31:

|                          | <u>2015</u>       | <u>2014</u>       |
|--------------------------|-------------------|-------------------|
| SOI direct mail          | \$ 315,987        | \$ 320,212        |
| SOI cooperative projects | 28,697            | 6,449             |
| Project UNIFY grant      | <u>41,180</u>     | <u>73,222</u>     |
| Total                    | <u>\$ 385,864</u> | <u>\$ 399,883</u> |

The Organization paid \$76,651 and \$73,082, for the years ended December 31, 2015 and 2014, respectively, to SOI for program support.

**10. CONTINGENCIES**

In the ordinary course of business, the Organization is subject to claims by various parties. Most claims are covered by liability insurance, subject to a deductible. In management's opinion, there are no outstanding claims that could have a material impact on its financial statements.

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**SUPPLEMENTARY INFORMATION ON STATE AND AREA**  
**REVENUES AND EXPENSES (UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                     | <u>State Accounts</u> | <u>Area Accounts</u> | <u>Totals</u>       |
|-------------------------------------|-----------------------|----------------------|---------------------|
| <b>PUBLIC SUPPORT</b>               |                       |                      |                     |
| <b>AND REVENUE</b>                  |                       |                      |                     |
| Support and contributions           | \$ 1,927,605          | \$ 643,886           | \$ 2,571,491        |
| Capital campaign contributions      | 510,751               | -                    | 510,751             |
| Loss on uncollectible pledges       | (53,767)              | -                    | (53,767)            |
| In-kind contributions               | 205,707               | -                    | 205,707             |
| Investment income (loss)            | (281,900)             | 32,363               | (249,537)           |
| Fundraising projects                | 655,218               | 422,169              | 1,077,387           |
| Revenue from Special Olympics, Inc. | 385,864               | -                    | 385,864             |
| Registration and other income       | 156,354               | 138,543              | 294,897             |
|                                     | <u>\$ 3,505,832</u>   | <u>\$ 1,236,961</u>  | <u>\$ 4,742,793</u> |
| <b>EXPENSES</b>                     |                       |                      |                     |
| Salaries and benefits               | \$ 1,288,571          | \$ 18,324            | \$ 1,306,895        |
| Lodging                             | 462,663               | 22,866               | 485,529             |
| Uniforms                            | 300                   | 206,153              | 206,453             |
| Meals                               | 31,327                | 109,417              | 140,744             |
| Promotion                           | 43,696                | 54,131               | 97,827              |
| Supplies                            | 20,840                | 51,433               | 72,273              |
| Transportation                      | 40,733                | 115,186              | 155,919             |
| Rent                                | 98,653                | 14,601               | 113,254             |
| Awards                              | 162,221               | 62,689               | 224,910             |
| Payments to Special Olympics, Inc.  | 76,651                | -                    | 76,651              |
| Facilities                          | 79,713                | 68,014               | 147,727             |
| Other fundraising                   | 51,209                | 109,601              | 160,810             |
| Other games expenses                | (35,691)              | 163,790              | 128,099             |
| Printing                            | 12,529                | 4,462                | 16,991              |
| Equipment rental and maintenance    | 43,144                | 1,512                | 44,656              |
| Insurance                           | 62,423                | -                    | 62,423              |
| Postage and shipping                | 11,750                | 1,966                | 13,716              |
| Investment expenses                 | 69,910                | -                    | 69,910              |
| Telephone                           | 13,492                | 6,346                | 19,838              |
| Professional fees                   | 23,473                | -                    | 23,473              |
| Contract services                   | 183,978               | 6,782                | 190,760             |
| Volunteer professional development  | 55,022                | 20,032               | 75,054              |
| Other expenses                      | 37,458                | 24,401               | 61,859              |
| In-kind expenses                    | 205,707               | -                    | 205,707             |
| Depreciation                        | 35,464                | -                    | 35,464              |
|                                     | <u>\$ 3,075,236</u>   | <u>\$ 1,061,706</u>  | <u>\$ 4,136,942</u> |