

Special Olympics North Carolina, Inc.
Report on Audits of Financial Statements
for the years ended December 31, 2010 and 2009

McMILLAN, PATE & COMPANY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
615 OBERLIN ROAD, SUITE 200
RALEIGH, NC 27605

CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-14
Supplemental Schedules:	
Schedules of Revenues and Expenses – Budget vs. Actual	15-17

McMILLAN, PATE & COMPANY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

615 OBERLIN ROAD, SUITE 200

RALEIGH, NORTH CAROLINA 27605

J. MICAH PATE, III
ANGELA W. BANASK
THOMAS M. DOHERTY
BRIAN T. BENNETT

TELEPHONE (919) 836-9200
FACSIMILE (919) 836-9288

JAMES L. McMILLAN, JR.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Special Olympics North Carolina, Inc.

We have audited the accompanying balance sheets of Special Olympics North Carolina, Inc. (the Organization) as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows 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 audits 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 North Carolina, Inc. as of December 31, 2010 and 2009 and the results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplemental schedules on pages 15 through 17 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

McMillan, Pate & Company, L.L.P.

April 28, 2011

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Balance Sheets
December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 1,530,446	\$ 1,174,099
Marketable securities	1,961,222	1,483,230
Receivables:		
Pledges, net	84,810	117,367
Special Olympics, Inc.	53,919	27,044
Contributions	155,624	124,194
Sales tax receivable	36,664	34,905
Interest receivable	3,796	2,730
Total receivables	<u>334,813</u>	<u>306,240</u>
Prepaid expenses	45,457	38,324
Inventories	<u>13,653</u>	<u>14,254</u>
Total current assets	<u>3,885,591</u>	<u>3,016,147</u>
Property and equipment:		
Office equipment and technology	226,263	229,849
Furniture and fixtures	41,767	41,197
Vehicles	112,461	111,661
Program equipment	38,377	37,084
Leasehold improvements	<u>9,231</u>	<u>9,231</u>
	428,099	429,022
Less accumulated depreciation and amortization	<u>312,494</u>	<u>283,504</u>
Property and equipment, net	<u>115,605</u>	<u>145,518</u>
Land held for investment purposes	<u>85,700</u>	<u>85,700</u>
Deposits	<u>9,480</u>	<u>9,480</u>
	<u>\$ 4,096,376</u>	<u>\$ 3,256,845</u>

The accompanying notes are an integral
part of the financial statements.

<u>Liabilities and Net Assets</u>	<u>2010</u>	<u>2009</u>
Current liabilities:		
Current obligations under capital lease	\$ 8,669	\$ 8,039
Current maturities of long term debt	8,814	8,158
Accounts payable:		
Trade	93,519	131,292
Special Olympics, Inc.	-	7,250
Accrued compensation	<u>38,489</u>	<u>35,504</u>
Total current liabilities	<u>149,491</u>	<u>190,243</u>
Noncurrent liabilities:		
Obligations under capital lease, excluding current maturities	27,510	36,180
Long term debt, excluding current maturities	14,116	24,113
Deferred rent	<u>98,843</u>	<u>93,113</u>
Total noncurrent liabilities	<u>140,469</u>	<u>153,406</u>
Net assets:		
Unrestricted:		
Designated:		
Athlete Development	576,972	576,972
Undesignated	<u>3,229,444</u>	<u>2,336,224</u>
Total net assets	<u>3,806,416</u>	<u>2,913,196</u>
	\$ <u>4,096,376</u>	\$ <u>3,256,845</u>

SPECIAL OLYMPICS NORTH CAROLINA, INC.
 Statements of Activities
 for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Sponsorships	\$ 1,694,215	\$ 1,665,668
In kind sponsorships	1,436,401	1,346,689
Special events	1,691,906	1,440,515
Individual sources	1,140,210	1,089,717
Grants	606,417	430,584
Investment income (loss):		
Realized gains (losses) on marketable securities, net	24,413	(31,453)
Unrealized appreciation on marketable securities	175,739	327,679
Interest and dividends	<u>44,172</u>	<u>37,159</u>
Total operating revenue and gains	6,813,473	6,306,558
Net assets released from restriction	-	10,000
Total revenues and gains	<u>6,813,473</u>	<u>6,316,558</u>
Expenses and losses:		
Programs and games	4,840,061	4,696,175
Fundraising	907,154	749,602
Management and general	<u>172,680</u>	<u>162,298</u>
Total expenses	5,919,895	5,608,075
Loss on disposal of property and equipment	358	2,310
Loss on impairment of land held for investment	-	4,300
Total expenses and losses	<u>5,920,253</u>	<u>5,614,685</u>
Changes in unrestricted net assets	<u>893,220</u>	<u>701,873</u>
Changes in temporarily restricted net assets:		
Net assets released from restrictions	-	(10,000)
Changes in temporarily restricted net assets	<u>-</u>	<u>(10,000)</u>
Changes in net assets	893,220	691,873
Net assets, beginning of year	<u>2,913,196</u>	<u>2,221,323</u>
Net assets, end of year	\$ <u>3,806,416</u>	\$ <u>2,913,196</u>

The accompanying notes are an integral part of the financial statements.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
 Statements of Functional Expenses
 for the years ended December 31, 2010 and 2009

	2010			
	Programs and games	Fundraising	Management and general	Total
Professional salaries	\$ 901,553	\$ 161,247	\$ 68,289	\$ 1,131,089
Payroll taxes	67,529	11,971	5,070	84,570
Employee benefits	84,027	15,029	6,365	105,421
Employee retirement	25,422	4,547	1,926	31,895
Specialized services	598,281	74,356	-	672,637
Housing	176,928	14,910	285	192,123
Meals	327,970	28,373	382	356,725
Facility rental	622,848	77,165	5,398	705,411
Heritage - business	314,516	104,839	-	419,355
Heritage - residential	234,469	78,156	-	312,625
Uniforms and clothing	322,317	102,521	109	424,947
Auto and travel	312,018	15,117	1,739	328,874
Equipment purchase and rental	103,919	33,157	665	137,741
SOI assessment	91,044	-	-	91,044
Awards and recognition	111,688	29,402	151	141,241
Insurance	65,385	-	-	65,385
Printing	20,517	4,988	268	25,773
Postage and overnight delivery	15,242	5,389	667	21,298
Telephone	26,707	3,819	1,618	32,144
Office supplies	56,778	2,813	1,006	60,597
Parking, security and medical	62,100	209	54	62,363
Officials and coaches	103,700	-	-	103,700
Games opportunities	28,713	-	-	28,713
Sports equipment	19,142	-	-	19,142
Depreciation expense	39,626	7,087	3,002	49,715
Entertainment	22,767	-	-	22,767
Storage and moving	20,161	-	-	20,161
Utilities	10,824	1,730	642	13,196
Publications	2,284	-	-	2,284
Investment fees expense	-	-	17,660	17,660
Hospitality	1,309	-	-	1,309
Equipment maintenance	4,535	201	85	4,821
Bank charges	-	-	18,458	18,458
Subscriptions and resources	11,633	32,677	345	44,655
Souvenirs	6,870	2,045	-	8,915
Public awareness campaign	760	-	-	760
Recycling and janitorial	3,747	613	227	4,587

- Continued -

2009

	<u>Programs and games</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total</u>
\$	914,798	\$ 166,212	\$ 70,839	\$ 1,151,849
	68,303	12,326	5,253	85,882
	77,060	14,001	5,967	97,028
	24,876	4,520	1,926	31,322
	689,119	79,340	215	768,674
	206,967	7,787	170	214,924
	322,086	21,952	166	344,204
	583,595	50,507	5,591	639,693
	376,684	125,561	-	502,245
	203,178	67,726	-	270,904
	249,944	89,782	-	339,726
	293,976	9,651	1,516	305,143
	74,040	7,996	439	82,475
	87,012	-	-	87,012
	69,880	31,858	197	101,935
	63,667	-	-	63,667
	11,544	4,820	98	16,462
	20,945	5,028	991	26,964
	24,487	3,139	1,338	28,964
	35,734	3,192	855	39,781
	63,750	156	64	63,970
	26,442	-	-	26,442
	19,396	-	-	19,396
	18,334	-	-	18,334
	52,370	9,515	4,055	65,940
	9,307	-	-	9,307
	19,403	-	-	19,403
	11,522	1,377	663	13,562
	4,031	-	-	4,031
	-	-	13,556	13,556
	1,546	-	-	1,546
	11,004	1,165	497	12,666
	-	-	16,064	16,064
	15,399	21,565	280	37,244
	16,027	-	-	16,027
	3,701	-	-	3,701
	3,628	433	209	4,270

SPECIAL OLYMPICS NORTH CAROLINA, INC.
 Statements of Functional Expenses (Continued)
 for the years ended December 31, 2010 and 2009

	2010			
	Programs and games	Fundraising	Management and general	Total
Banners and signs	\$ 16,535	\$ 4,703	\$ -	\$ 21,238
Other administrative expense	-	-	1,228	1,228
Global messenger	4,814	-	-	4,814
Interest	-	-	5,222	5,222
Photography	356	-	-	356
Professional development	1,053	166	70	1,289
Meetings and workshops	134	8,156	38	8,328
Athlete leadership	90	-	-	90
Other fund raising	-	81,768	-	81,768
Accounting and auditing	-	-	31,120	31,120
Penalty	-	-	591	591
Other	(250)	-	-	(250)
	\$ 4,840,061	\$ 907,154	\$ 172,680	\$ 5,919,895

The accompanying notes are an integral
 part of the financial statements.

2009

2009			
Programs and games	Fundraising	Management and general	Total
\$ 8,025	\$ 4,090	\$ 30	\$ 12,145
-	-	775	775
-	-	-	-
-	-	3,189	3,189
688	-	-	688
1,857	337	144	2,338
556	4,543	14	5,113
400	-	-	400
10,658	978	-	11,636
-	-	26,675	26,675
-	-	500	500
236	45	22	303
<u>\$ 4,696,175</u>	<u>\$ 749,602</u>	<u>\$ 162,298</u>	<u>\$ 5,608,075</u>

SPECIAL OLYMPICS NORTH CAROLINA, INC.
 Statements of Cash Flows
 for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$ 893,220	\$ 691,873
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	49,715	65,941
Loss on disposal of property and equipment	358	2,310
Loss on impairment of land held for investment	-	4,300
Contributed stock	(4,467)	(5,991)
Unrealized appreciation on marketable securities	(175,739)	(327,679)
Realized gains (losses) on marketable securities, net	(24,413)	31,453
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(28,573)	963
Prepaid expenses	(7,133)	(3,283)
Inventories	601	4,611
Deposits	-	1,500
Increase (decrease) in liabilities:		
Accounts payable	(45,023)	(29,740)
Accrued compensation	2,985	1,026
Net cash provided by operating activities	<u>661,531</u>	<u>437,284</u>
Cash flows from investing activities:		
Sales (purchases) of marketable securities, net	(273,373)	(72,842)
Capital expenditures	(20,160)	(9,769)
Deferred rent	5,730	15,707
Net cash used in investing activities	<u>(287,803)</u>	<u>(66,904)</u>
Cash flows from financing activities:		
Principal payments of long term debt	(9,341)	(4,067)
Principal payments of capital lease obligations	(8,040)	(13,154)
Net cash used in financing activities	<u>(17,381)</u>	<u>(17,221)</u>
Increase in cash and cash equivalents	356,347	353,159
Cash and cash equivalents, beginning of year	1,174,099	820,940
Cash and cash equivalents, end of year	\$ <u>1,530,446</u>	\$ <u>1,174,099</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	\$ <u>5,222</u>	\$ <u>3,189</u>

Supplemental disclosure of non-cash investing and financing activities:

In 2009 the Organization purchased a vehicle through the issuance of long term debt in the amount of \$24,824.

In 2009 the Organization purchased \$46,136 of office equipment under a capital lease obligation and an existing capital lease obligation in the amount of \$16,360 was forgiven.

The accompanying notes are an integral part of the financial statements.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

1. ORGANIZATION

Special Olympics North Carolina, Inc. (the Organization or SONC) is a nonprofit corporation authorized and accredited by Special Olympics, Incorporated (SOI). The Organization was established in 1971 to contribute to the physical, social and psychological development of citizens with intellectual disabilities through successful experience in sports training and competition. Based on information collected for the Special Olympics 2010 Global Athlete Census, SONC involves 38,375 athletes throughout North Carolina in 19 sports. The accompanying financial statements include the activities of the Special Olympics North Carolina, Inc. headquarters (accredited US program office) and all affiliated units located throughout North Carolina. All North Carolina affiliated units are owned and operated under the direction of the Organization's chapter office.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all investments with original maturity of 90 days or less to be cash equivalents. At December 31, 2010 and 2009, there were no cash deposits in excess of amounts insured by the Federal Deposit Insurance Corporation.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Based on experience, management believes that the entire amounts are fully collectible. Therefore, no allowance for doubtful accounts has been recorded. In the unlikely event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the receivable balance. Pledges receivable consist of pledges made through consumer and business telemarketing campaigns recorded based on historical collection rates.

Inventories

Inventories at December 31, 2010 and 2009 consist of medals awarded during competitions and souvenirs. Inventories are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Expenditures for property and equipment are stated at cost. Donated property and equipment is recorded at fair value at the date of receipt. Equipment under capital lease is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value of the equipment at the inception of the lease. Depreciation and amortization is provided over the estimated useful lives of the respective assets using the straight-line method. Equipment under capital lease and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the asset. The estimated useful lives range as follows:

Equipment and technology	3- 5 years
Furniture and fixtures	7 years
Vehicles	5 years
Leasehold improvements	3-10 years

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition of property and equipment, the related asset and accumulated depreciation and amortization accounts are removed and any gain or loss is reflected in the statement of activities for the period.

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was \$49,715 and \$65,941, respectively.

Contributions

The Organization reports monetary gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports donor-restricted grants whose restrictions are met in the same year as unrestricted revenue.

The Board of Directors has designated portions of the unrestricted net assets for the purpose of carrying out programs in sports training and competition. Marketable securities and cash equivalents in the amount of \$576,972 are designated for the years 2010 and 2009.

All contributions are considered available for the general games program of the Organization, unless specifically restricted by the donor. The Organization is the beneficiary under various wills and trust agreements; the total realizability of which is not presently determinable. Such amounts are recorded when the proceeds are measurable.

The Organization recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. The Organization recognizes unconditional promises to give at their net realizable value.

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. The Organization reports gifts of land, buildings, equipment and other nonmonetary contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from North Carolina income taxes, accordingly, no income taxes have been provided in the accompanying financial statements.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization adopted the provisions of FASB ASC 740-10 (formerly Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*) as of January 1, 2009 and thereafter. FASB ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Organization has taken or expects to take on a tax return. There was no impact on the Organization's financial statements as a result of the adoption of FASB ASC 740-10. The Organization is no longer subject to U.S. federal or North Carolina state income tax examinations for years before 2007.

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 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 reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events and transactions that occurred between December 31, 2010 and April 28, 2011 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. FAIR VALUE MEASUREMENTS

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP). At December 31, 2010 and 2009, the Organization had U.S treasury and government obligations, mutual funds, and equity securities, land held for investments, and capital leases that were carried at fair value for which the disclosure requirements of FASB ACS 820 applies.

FASB ASC 820 establishes three levels of inputs that may be used to measure fair value: Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date; Level 2. Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active market for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or Level 3: Unobservable inputs that are supported by little or no market activity and that reflect the Organization's own assumptions about market participants and prices.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

3. FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a recurring basis at December 31, 2010 are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S Treasury and Government Obligations	\$ 523,556	\$ 523,556	\$ -	\$ -
Mutual funds	1,226,065	1,226,065		
Equity Securities	<u>211,601</u>	<u>211,601</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,961,222</u>	<u>\$ 1,961,222</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value of assets measured on a recurring basis at December 31, 2009 are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S Treasury and Government Obligations	\$ 483,668	\$ 483,668	\$ -	\$ -
Mutual funds	807,068	807,068		
Equity Securities	<u>192,494</u>	<u>192,494</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,483,230</u>	<u>\$ 1,483,230</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value of assets measured on a nonrecurring basis at December 31, 2010 and 2009 are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Capital leases	\$ 46,136	\$ -	\$ -	\$ 46,136
Land held for Investment	<u>85,700</u>	<u>-</u>	<u>-</u>	<u>85,700</u>
	<u>\$ 131,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,836</u>

Land held for investment purpose with a carrying amount of \$90,000 was written down \$4,300 to its fair market value resulting in an impairment loss which was included in the statement of activities for the year ended December 31, 2009.

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

4. MARKETABLE SECURITIES

Marketable debt and equity securities are reported at fair market values based on quotations obtained from national securities exchanges or brokerage firms.

The fair value of marketable securities at December 31, 2010 and 2009 are comprised of the following:

	<u>2010</u>	<u>2009</u>
U.S. Treasury and Government Obligations	\$ 523,556	\$ 483,668
Mutual funds	1,226,065	807,068
Equity securities	<u>211,601</u>	<u>192,494</u>
Total	<u>\$ 1,961,222</u>	<u>\$ 1,483,230</u>

At December 31, 2010, the aggregate fair market value of marketable securities exceeded their aggregate cost by \$188,736. At December 31, 2009, the aggregate cost of marketable securities exceeded their aggregate fair market value by \$12,997. The Organization realized gains (losses) of \$24,413 and \$(31,453) from the sale of marketable securities for the years ended December 31, 2010 and 2009, respectively. For purposes of determining the gain or loss on a sale, the cost of marketable securities is based on the average cost of all shares of each such investment fund at the date of sale. Unrealized appreciation related to marketable securities was \$175,739 and \$327,679 for the years ended December 31, 2010 and 2009, respectively. The Organization incurred investment fees of \$17,660 and \$13,556 for the years ended December 31, 2010 and 2009, respectively.

5. CONTRIBUTED SERVICES, FACILITIES AND MATERIALS

The Organization recognizes contributions of services received if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed specialized services, facilities, advertising, printing, property and equipment in the amounts of \$1,436,401 and \$1,346,689 have been recognized in the accompanying statement of activities for the years ended December 31, 2010 and 2009, respectively.

6. JOINT COST ALLOCATION

The Organization accounts for all joint activity costs in accordance with FASB ASC 958-720-20, *Accounting for Costs of Activities of Not-For-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*. This statement requires that certain criteria be met before joint activity costs are allocated between functions. If the criteria are not met, all joint activity costs are considered fund raising costs.

Joint cost activity related to telemarketing costs for volunteer recruitment, athlete recruitment and support of programs in the amounts of \$731,980 and \$773,149 for the years ended December 31, 2010 and 2009, respectively have been allocated as follows:

	<u>2010</u>	<u>2009</u>
Programs and games	\$ 548,985	\$ 579,862
Fundraising	<u>182,995</u>	<u>193,287</u>
	<u>\$ 731,980</u>	<u>\$ 773,149</u>

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

7. EMPLOYEE BENEFIT PLANS

The Organization has a defined contribution pension plan, which covers all permanent employees that have completed one year of service. Contributions are made to the plan at 3% of the participants' gross salaries for the years ended December 31, 2010 and 2009. Retirement expense was \$31,895 and \$31,322, for the years ended December 31, 2010 and 2009, respectively.

8. RELATED PARTY TRANSACTIONS

Special Olympics Inc. (SOI) distributes mailings to individuals and corporations requesting contributions on behalf of the Organization. SOI also collects contributions from its website and through other fund raising initiatives on behalf of the Organization. SOI collects these contributions and remits them to the Organization. SOI also awards grants to the Organization. Total revenue from SOI recognized during the years ended December 31, 2010 and 2009 was \$547,902 and \$383,942, respectively, of which \$53,919 and \$27,044, respectively, was in accounts receivable at December 31, 2010 and 2009.

The Organization recorded dues and other various payments to SOI of \$109,754 and \$94,282 for the years ended December 31, 2010 and 2009, respectively, of which \$7,251 were included in accounts payable at December 31, 2009.

Members of the board and employees contributed \$23,305 and \$23,831 to the Organization in 2010 and 2009, respectively. The Organization purchased food from a restaurant owned by the brother of an employee at a cost of \$3,702 and \$1,129 during 2010 and 2009, respectively.

9. LEASES

Operating Leases

The Organization leases its facilities and certain equipment under non-cancelable operating leases scheduled to expire at various dates through July 2016. Total rental expense under these leases was \$143,722 and \$145,406 for the years ended December 31, 2010 and 2009, respectively.

The Organization leases its state headquarters in Morrisville, North Carolina under a ten-year facility lease. The lease term began in April 2005 and expires in March 2015. The total ten-year commitment is \$807,415. Similarly, the Organization leases its Charlotte office facility under a seven year lease. The lease term began January 2009 and expires July 2016. The total seven year lease term commitment is \$160,358. Payments under these facility leases vary during the term of the related lease. FASB ASC 840, *Leases*, requires that rental expense be recognized on a straight-line basis. As such, rental expense in excess of rental payments in the amount of \$5,730 and \$15,707 has been reflected in the accompanying statement of activities for the years ended December 31, 2010 and 2009, respectively. Deferred rent is \$98,843 and \$93,113 at December 31, 2010 and 2009, respectively.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

9. LEASES (continued)

Future minimum lease payments under non-cancelable operating lease agreements at December 31, 2010 are as follows:

2011	\$	118,734
2012		118,824
2013		127,929
2014		137,069
2015		53,873
Thereafter		<u>15,249</u>
Total	\$	<u><u>571,678</u></u>

Capital Leases

The Organization leases copiers under capital lease agreements. In 2009 the Organization terminated a copier lease arrangement with an effective interest rate of 7.67% and returned the equipment. The remaining lease obligation of \$16,360 was forgiven in exchange for entering into a new lease agreement with an effective interest rate of 7.57% and expiring September 2013.

		<u>2010</u>		<u>2009</u>
Office equipment	\$	46,136	\$	46,136
Less accumulated amortization		<u>11,534</u>		<u>1,917</u>
	\$	<u><u>34,602</u></u>	\$	<u><u>44,219</u></u>

Minimum rental payments due under capital lease for the years ending December 31 are as follows:

2011	\$	11,112
2012		11,112
2013		11,112
2014		<u>8,334</u>
		41,670
Less amounts representing interest		<u>5,491</u>
Total capital lease obligations		36,179
Less current portion		<u>8,669</u>
Non-current portion of capital lease	\$	<u><u>27,510</u></u>

10. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

		<u>2010</u>		<u>2009</u>
7.04% note payable to a financial institution in monthly installments of \$358 through December 2011, collateralized by a vehicle with a net book value of \$2,498 at December 31, 2010	\$	4,059	\$	7,917
7.99% note payable to a financial institution in monthly installments of \$505 through October 2014, collateralized by a vehicle with a net book value of \$12,197 at December 31, 2010		<u>18,871</u>		<u>24,354</u>
		22,930		32,271
Less current maturities		<u>8,814</u>		<u>8,158</u>
Long-term debt, excluding current maturities	\$	<u><u>14,116</u></u>	\$	<u><u>24,113</u></u>

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Notes to Financial Statements
December 31, 2010 and 2009

11. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

Year ended December 31:

2011	\$	8,814
2012		5,149
2013		5,576
2014		<u>3,391</u>
	\$	<u>22,930</u>

12. CONCENTRATIONS

The Organization derived approximately 15% of its revenues from contributions generated through the Law Enforcement Torch Run for the years ended December 31, 2010 and 2009 and 18% and 21% from contributions generated under corporate and residential outreach program contracts with a national marketing agency for the years ended December 31, 2010 and 2009, respectively. A significant reduction in these levels of support if it were to occur could have a significant effect on the Organization's programs and activities.

Approximately 25% and 38% of the Organization's receivables were due from a national marketing agency at December 31, 2010 and 2009, respectively. Approximately 22% was due from a North Carolina Charity at December 31, 2010. Approximately 16% was due from a North Carolina State agency at December 31, 2009.

Approximately 35% of the Organization's payables were due to a national marketing agency at December 31, 2009.

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Schedules of Revenues and Expenses - Budget vs. Actual
for the year ended December 31, 2010
including summarized actual information for the year ended December 31, 2009

	<u>2010</u> <u>Budget</u>	<u>2010</u> <u>Actual</u>	Variance <u>Favorable</u> <u>(Unfavorable)</u>	<u>2009</u> <u>Actual</u>
Revenue and gains:				
Special events:				
Torch Run	\$ 925,000	\$ 993,126	\$ 68,126	\$ 943,167
Special events and promotions	461,000	602,892	141,892	389,563
Fuqua MBA games	100,000	95,888	(4,112)	107,785
	<u>1,486,000</u>	<u>1,691,906</u>	<u>205,906</u>	<u>1,440,515</u>
Individual sources:				
Heritage residential telemarketing	433,554	521,040	87,486	463,417
SOI direct mail contract	265,000	255,787	(9,213)	261,419
Individual contributions	94,000	184,016	90,016	131,666
Spirit Partners	90,000	85,380	(4,620)	116,254
Merchandise sales	31,000	32,048	1,048	31,364
State employees campaign	32,000	27,556	(4,444)	37,703
Combined federal campaign	14,000	12,610	(1,390)	14,624
Dial America magazine	12,000	10,094	(1,906)	12,885
Memorials and honorariums	11,000	11,679	679	12,651
Other	-	-	-	7,734
	<u>982,554</u>	<u>1,140,210</u>	<u>157,656</u>	<u>1,089,717</u>
Sponsorship:				
Heritage	873,349	698,926	(174,423)	837,188
In-Kind contributions	1,415,447	1,436,401	20,954	1,346,689
Corporate partners	485,000	659,529	174,529	498,121
General sponsorship	255,000	247,162	(7,838)	277,114
Service clubs	40,000	37,670	(2,330)	45,123
World Games	-	1,804	1,804	3,107
National Games	80,000	49,124	(30,876)	4,995
Other revenues	14,000	-	(14,000)	20
	<u>3,162,796</u>	<u>3,130,616</u>	<u>(32,180)</u>	<u>3,012,357</u>
Grants:				
Grants	380,500	506,417	125,917	330,584
State of North Carolina	-	100,000	100,000	100,000
	<u>380,500</u>	<u>606,417</u>	<u>225,917</u>	<u>430,584</u>

- Continued -

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Schedules of Revenues and Expenses - Budget vs. Actual (Continued)
for the year ended December 31, 2010
including summarized actual information for the year ended December 31, 2009

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance Favorable (Unfavorable)	2009 <u>Actual</u>
Revenues and gains (Continued):				
Interest and dividends	\$ -	\$ 44,172	\$ 44,172	\$ 37,159
Realized gain on investments, net	-	24,413	24,413	(31,453)
Unrealized appreciation (depreciation) on investments	-	175,739	175,739	327,679
Total operating revenue and gains	6,011,850	6,813,473	801,623	6,306,558
Assets released from restrictions	-	-	-	10,000
Total revenues and gains	<u>6,011,850</u>	<u>6,813,473</u>	<u>801,623</u>	<u>6,316,558</u>
Expenses and losses:				
Professional salaries	1,117,080	1,131,089	(14,009)	1,151,848
Payroll taxes	85,457	84,570	887	85,882
Employee benefits	104,140	105,421	(1,281)	97,028
Employee retirement	32,300	31,895	405	31,322
Specialized services	747,640	672,637	75,003	768,674
Housing	181,579	192,123	(10,544)	214,924
Meals	380,924	356,725	24,199	344,206
Facility rental	704,972	705,411	(439)	639,693
Heritage	784,141	731,980	52,161	773,149
Uniforms and clothing	431,201	424,947	6,254	339,726
Auto and travel	344,715	328,874	15,841	305,142
Equipment purchase and rental	119,359	137,741	(18,382)	82,475
SOI assessment	90,000	91,044	(1,044)	87,012
Awards and recognition	156,599	141,241	15,358	101,937
Insurance	67,110	65,385	1,725	63,667
Printing	27,825	25,773	2,052	16,461
Postage and overnight delivery	30,210	21,298	8,912	26,964
Telephone	39,490	32,144	7,346	28,963
Office supplies	45,585	60,597	(15,012)	39,782
Parking, security and medical	73,140	62,363	10,777	63,970
Officials and coaches	26,150	103,700	(77,550)	26,441
Games opportunities	58,080	28,713	29,367	19,396
Sports equipment	18,695	19,142	(447)	18,336
Depreciation expense	46,000	49,715	(3,715)	65,941
Entertainment	7,565	22,767	(15,202)	9,307
Storage and moving	18,580	20,161	(1,581)	19,403

- Continued -

SPECIAL OLYMPICS NORTH CAROLINA, INC.
Schedules of Revenues and Expenses - Budget vs. Actual (Continued)
for the year ended December 31, 2010
including summarized information for the year ended December 31, 2009

	2010 <u>Budget</u>	2010 <u>Actual</u>	Variance Favorable (Unfavorable)	2009 <u>Actual</u>
Expenses and losses (Continued):				
Utilities	\$ 4,755	\$ 13,196	\$ (8,441)	\$ 13,562
Publications	3,200	2,284	916	4,031
Investment fees expense	8,500	17,660	(9,160)	13,556
Hospitality	2,140	1,309	831	1,546
Equipment maintenance	10,505	4,821	5,684	12,666
Bank charges	16,500	18,458	(1,958)	16,064
Subscriptions and resources	20,705	44,655	(23,950)	37,244
Souvenirs	11,895	8,915	2,980	16,026
Public awareness campaign	3,000	760	2,240	3,701
Recycling and janitorial	4,755	4,587	168	4,270
Banners and signs	12,440	21,238	(8,798)	12,145
Other administrative expense	-	1,228	(1,228)	775
Global messenger	4,200	4,814	(614)	-
Interest	2,400	5,222	(2,822)	3,189
Photography	1,520	356	1,164	688
Professional development	5,000	1,289	3,711	2,338
Meetings and workshops	12,630	8,328	4,302	5,112
Athlete leadership	1,000	90	910	400
Other fund raising	40,260	81,768	(41,508)	11,638
Accounting and auditing	32,000	31,120	880	26,675
Legal	-	591	(591)	500
Other	-	(250)	250	300
Loss on disposal of equipment	-	358	(358)	6,610
Loss on impairment of land	-	-	-	4,300
Total unrestricted expenses and losses	<u>5,935,942</u>	<u>5,920,253</u>	<u>15,689</u>	<u>5,614,685</u>
Increase (decrease) in unrestricted net assets	75,908	893,220	817,312	701,873
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	\$ <u>75,908</u>	\$ <u>893,220</u>	\$ <u>817,312</u>	\$ <u>701,873</u>