INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

DRAPER & MCGINLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS
FREDERICK, MARYLAND

INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

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FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
International Committee of Sports for the Deaf, Inc.

We have audited the accompanying financial statements of International Committee of Sports for the Deaf, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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 of 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 have 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 International Committee of Sports for the Deaf, Inc. as of December 31, 2012 and 2011, 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 schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Draper & McGinley, P.A.

Frederick, Maryland
May 16, 2013

INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,		2012		2011
Assets				
Current Assets				
Cash and cash equivalents	$	41,220	$	17,765
Investments		84,608		109,116
Accounts receivable, net of allowance of $29,466 and $0 as of December 31, 2012 and 2011, respectively		45,740		39,944
Deposits and prepaid expenses		479		2,891
Total Current Assets		172,047		169,716
Property and equipment, net		2,050		2,061
Total Assets	$	174,097	$	171,777
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	103,644	$	24,680
Deferred revenue		900		3,863
Total Current Liabilities		104,544		28,543
Net Assets				
Unrestricted:				
Undesignated		65,183		138,864
Board designated		4,370		4,370
Total Unrestricted		69,553		143,234
Total Liabilities and Net Assets	$	174,097	$	171,777

The accompanying notes are an integral part of these statements.

INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31,	2012	2011
Changes in unrestricted revenue and other support		
Contributions	$ 160,000	$ 179,184
Membership dues	33,500	37,050
Program fees	80,711	91,570
Interest	3,439	9,973
Realized and unrealized gain (loss) on investments	13,169	(17,864)
Loss on disposal of assets	-	(2,232)
Miscellaneous	64	4,424
Total unrestricted revenues and other support	290,883	302,105
Net assets released from restrictions	-	-
Total unrestricted revenues, other support, and reclassifications	290,883	302,105
Expenses		
Program services	278,807	388,813
Management and general	85,757	119,950
Total expenses	364,564	508,763
Increase (decrease) in unrestricted net assets	(73,681)	(206,658)
Changes in temporarily restricted net assets		
Temporarily restricted revenues and other support		
Contributions	-	-
Restrictions satisfied by payments	-	-
Increase (decrease) in temporarily restricted net assets	-	-
Decrease in net assets	(73,681)	(206,658)
Net assets, beginning of year	143,234	349,892
Net assets, end of year	$ 69,553	$ 143,234

The accompanying notes are an integral part of these statements.

INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.
STATEMENTS OF CASH FLOWS

For the years ended December 31,	2012	2011
Increase (Decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Change in net assets	$ (73,681)	$ (206,658)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation expense	560	2,111
Bad debt expense	30,062	-
Loss on disposal of assets	-	2,231
Realized and unrealized (gain) loss on investments	(13,169)	17,864
Change in operating assets and liabilities:		
Contribution receivable	-	43,000
Accounts receivable	(35,858)	3,048
Deposits and prepaid expenses	2,412	1,388
Accounts payable and accrued expenses	78,964	4,549
Deferred revenue	(2,963)	(31,137)
Net cash used in operating activities	(13,673)	(163,604)
Cash flows from investing activities:		
Purchase of investments and reinvested dividends	(23,266)	(79,191)
Proceeds from sale of investments	60,943	119,888
Purchase of property and equipment	(549)	(2,248)
Net cash provided by investing activities	37,128	38,449
Increase (decrease) in cash and cash equivalents	23,455	(125,155)
Cash and cash equivalents, beginning of year	17,765	142,920
Cash and cash equivalents, end of year	$ 41,220	$ 17,765

The accompanying notes are an integral part of these statements.

(1) NATURE OF ACTIVITIES

International Committee of Sports for the Deaf, Inc. (Organization) is a nonprofit organization that was founded to help society to cherish the value of the spirit of Deaflympics where deaf athletes strive to achieve the pinnacle of competition by embracing the motto PER LUDOS AEQUALITAS (Equality through sports) and adhering to the ideals of Olympics. Summer and Winter Deaflympics are held every four years, alternating events biannually.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenues are recognized when they are earned and expenditures are recognized when they are incurred, without regard to receipt or payment of cash. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation

The financial statement presentation follows Accounting Standards Codification ("ASC") 958-210. Under ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

- **Unrestricted net assets** – represent resources that are currently available for support of the Organization's operations.

- **Temporarily restricted net assets** – represent resources that may be utilized only in accordance with the restricted purposes established by the donor. The Organization considers all contributions that are designated to a particular program to be transferred to unrestricted net assets when the terms of the donor's restrictions have been met and reported in the statement of activities as net assets released from restriction. There were no temporarily restricted net assets for the years ended December 31, 2012 and 2011.

- **Permanently restricted net assets** – represent resources for which the principal is to be maintained intact and the income may only be spent in accordance with the intent of the donor. There were no permanently restricted net assets for the years ended December 31, 2012 and 2011.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as temporarily or permanently restricted based upon the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions

Membership dues

Membership dues are recognized as revenue during the applicable membership period.

Use of estimates

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 and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Investments

Investments with readily determinable fair market values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. There were unrealized gains of $9,904 for the year ended December 31, 2012 and unrealized losses of $34,484 for the year ended December 31, 2011.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and provides an allowance for uncollectible accounts based upon management's assessment of the collectability of existing accounts. As of December 31, 2012 and 2011, the allowance for uncollectible accounts was $29,466 and $0, respectively. Bad debt expense for the years ended December 31, 2012 and 2011 was $30,062 and $42,556, respectively. For the year ended December 31, 2011, accounts deemed uncollectible were written off directly to bad debt expense due to the cancellation of the 2011 Slovakia Deaflympics.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (3 to 7 years). The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Purchases with a useful life of less than three years are expensed in the year of acquisition.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation. Accordingly, these financial statements do not include any provision for income taxes.

The Organization adopted ASC 740-10 and Accounting Standards Update (ASU) 2009-06. As part of that adoption, the Organization considered the possibility of uncertain tax positions and their impact on the financial position of the Organization. The most significant tax position of the Organization is its tax-exempt status. As of December 31, 2012 and 2011, management did not identify any uncertain tax positions.

The Organization accrues interest and penalties (if applicable) in income taxes payable on the Statement of Financial Position and records any expense in the provision for income taxes in the Statement of Activities and Changes in Net Assets. The Organization had no interest, penalties or income taxes for the years ended December 31, 2012 and 2011. Pursuant to Internal Revenue Service rules for the statute of limitations, the Organization believes it is no longer subject to U.S. Federal, state, and local income tax examinations by taxing authorities for years before 2009.

(3) CONCENTRATIONS

Credit risk

The Organization has deposits in financial institutions that may at times exceed amounts insured by the Federal Deposit Insurance Corporation of $250,000. 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.

Sources of revenue

The Organization received approximately 52% and 36% of its income from the International Olympic Committee for the years ended December 31, 2012 and 2011, respectively.

(4) INVESTMENTS

Investments consist of the following as of December 31,

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 74,704	$ 84,608	$ 143,600	$ 109,116

(5) PROPERTY AND EQUIPMENT

The components of property and equipment as of December 31 are as follows:

	2012	2011
Computer equipment	$ 2,798	$ 2,248
Less: accumulated depreciation	(748)	(187)
Total property and equipment, net	$ 2,050	$ 2,061

Depreciation expense for the years ended December 31, 2012 and 2011 was $560 and $2,111, respectively.

(6) COMMITMENTS

The Organization leased its office facilities on a month to month basis under the terms of an operating lease until the lease ended in November 2011. Monthly payments totaled $1,550. Rent expense for the year ended December 31, 2011 was $18,976.

(7) NET ASSETS

The Board of Directors has designated net assets for the following purpose as of December 31:

	2012	2011
Lovett Leadership and Training	$ 4,370	$ 4,370

(8) FAIR VALUES

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The input levels used for valuing the assets and liabilities are not necessarily an indication of risk.

The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2012:

	Level 1	Level 2	Level 3	December 31, 2012
Mutual funds	$ 84,608	$ -	$ -	$ 84,608

(8) FAIR VALUES (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2011:

	Level 1	Level 2	Level 3	December 31, 2011
Mutual funds	$ 109,116	$ -	$ -	$ 109,116

(9) RELATED PARTY TRANSACTION

The Organization had the following transaction with a member of the Board of Directors for the years ended December 31:

	2012	2011
Professional Services	$ -	$ 2,250

(10) SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the balance sheet date through the date that the financial statements are available to be issued. The Organization performed an evaluation as of May 16, 2013, the date the financial statements were available to be issued, and determined that there are no subsequent events requiring disclosure.

International Committee of Sports for the Deaf, Inc.
Schedule of Functional Expenses
For the year ended December 31, 2012
(with comparative totals for 2011)

	Program Services	Management & General	Total 2012	Total 2011
Expenses				
Payroll and related taxes	$ 1,653	$ 363	$ 2,016	$ 82,197
Professional fees	193,641	73,661	267,302	225,907
Employee training	57	13	70	459
Insurance - directors	589	129	718	301
Memberships	3,250	713	3,963	3,648
Printing and postage	220	48	268	1,054
Occupancy	2,498	549	3,047	22,057
Telephone	1,583	348	1,931	4,773
Supplies	3,131	687	3,818	9,860
Equipment repairs	966	212	1,178	-
Rental	1,050	230	1,280	1,772
Bank fees	2,395	526	2,921	4,633
Travel	36,860	8,091	44,951	106,971
Bad debt	30,062	-	30,062	42,556
Interest	393	86	479	464
Depreciation	459	101	560	2,111
Total Expenses	$ 278,807	$ 85,757	$ 364,564	$ 508,763

The accompanying notes are an integral part of this schedule.