

**INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**WITH INDEPENDENT AUDITORS' REPORT THEREON**

**INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of International Committee of Sports for the Deaf, Inc., as of December 31, 2006, and the related statements of unrestricted revenues and expenses and change in net assets, and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 International Committee of Sports for the Deaf, Inc., as of December 31, 2006, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "T.R. Klein &amp; Company".

August 15, 2007

# INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

### ASSETS

Cash	\$ 140,108
Investments	173,571
Accounts receivable	7,215
Deposits and prepaid expenses	<u>1,670</u>
	<u>322,564</u>
Property and equipment:	
Furniture and equipment	13,986
Less accumulated depreciation	<u>10,650</u>
	<u>3,336</u>
Total assets	<u>325,900</u>

### LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>2,116</u>
Total liabilities	<u>2,116</u>
Net assets -	
Unrestricted:	
Available for general activities	319,414
Board designated	<u>4,370</u>
Total net assets	<u>323,784</u>
Total liabilities and net assets	<u>\$ 325,900</u>

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

# INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

## STATEMENT OF UNRESTRICTED REVENUES AND EXPENSES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2006

### Revenues, gains and other support:

Contributions	\$ 134,191
Membership dues	36,042
Interest	16,288
Unrealized gains	13,325
Miscellaneous	<u>20,487</u>

Total revenues, gains and other support 220,333

### Expenses:

Contractual services and benefits	138,160
Professional fees	19,105
Occupancy	16,920
Memberships	2,783
Printing and postage	7,938
Telephone	2,687
Supplies	3,980
Travel	40,048
Miscellaneous	10,706
Depreciation	<u>7,642</u>

Total expenses 249,969

Change in net assets (29,636)

Net assets - beginning of year, as previously reported 425,198

Prior period adjustment (71,778)

Net assets - beginning of year, as restated 353,420

Net assets - end of year \$ 323,784

**INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2006**

Cash flows from operating activities:	
Change in net assets	\$ (29,636)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	7,642
Unrealized gain	(13,325)
Decrease in accounts receivable	(5,661)
Decrease in deposits and prepaid expenses	23
Decrease in accounts payable and accrued expenses	(31,312)
Decrease in deferred dues	<u>(3,109)</u>
Net cash used in operating activities	<u>(75,378)</u>
Cash flows used in investing activities - Reinvested dividends	<u>(7,746)</u>
Net cash used in investing activities	<u>(7,746)</u>
Net decrease in cash	(83,124)
Cash - beginning of year	<u>223,232</u>
Cash - end of year	<u>\$ 140,108</u>

# INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1 - Summary of Significant Accounting Policies

#### Nature of Organization

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

The objects of the Mission Statement are:

- To supervise the organization of successful Summer and Winter Deaflympics.
- To promote and contribute to the development of sports opportunities and competitions, from grass-roots to elite level, for Deaf athletes.
- To support and encourage educational, cultural, research and scientific activities that contribute to the development and promotion of the Deaflympics.
- To fully enforce a drug-free sport environment for all Deaf athletes in conjunction with the World Anti-Doping Agency (WADA).
- To promote sports for Deaf athletes without discrimination for political, religious, economic, disability, gender or race reasons.

In sum, the mission is to create:

- More and better athletes with higher standards for excellence
- A significant level of international recognition
- An increased and sound budget
- An efficient and effective organization

#### Contributions and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

# INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **1 - Summary of Significant Accounting Policies (continued)**

#### **Membership Dues**

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

#### **Donated Services**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

#### **Investments**

Investments consist of mutual funds and are carried at market value. Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur.

#### **Accounts Receivable**

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued.

#### **Property and Equipment**

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) - seven (7) years using the straight-line method.

#### **Statement of Cash Flows**

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.



# INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2 - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

### 3 - Net Assets

The Board of Directors has designated net assets for the following purpose at December 31, 2006:

Lovett Leadership and Training	<u>\$ 4,370</u>
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### 4 - Commitments

The Organization leases its office facilities on a month to month basis under the terms of an operating lease. Currently, the Organization's monthly payment is \$ 1,300. Rent expense for the year ended December 31, 2006 was \$ 14,834.

### 5 - Concentrations

The Organization received approximately 50% of its income from the International Olympic Committee for the year ended December 31, 2006.

### 6 - Functional Expenses

Expenses were allocated as follows for the year ended December 31, 2006:

Program service	178,381
Management, general and fund raising	<u>71,588</u>
	<u>\$ 249,969</u>

### 7 - Prior Period Adjustment

The Organization had accumulated a significant amount of accounts receivable in prior years. Upon investigation, these receivables were determined to be uncollectible. The effect on beginning net assets is a decrease of \$ 71,778 for the year ended December 31, 2005.

# INTERNATIONAL COMMITTEE OF SPORTS FOR THE DEAF, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **8 - Use of Estimates in 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.

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August 15, 2007

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

In planning and performing our audit of the financial statements of International Committee of Sports for the Deaf, Inc. (Organization) as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

PAYROLL

**Observation:** The Organization is staffed completely by independent contractors; however, two contractors work full time and have vacation benefits.

**Recommendation:** To avoid penalties for non payment of payroll taxes and insurance, these contractors should be put on payroll as employees. The Organization should also cover these individuals under workman's compensation and unemployment insurance.

Members

EXPENSES AUTHORIZATION

Observation: The Executive Director's compensation was not approved by the Board of Directors.

Recommendation: A member of the Board of Directors should approve payments to the Executive Director in writing.

PROPERTY AND EQUIPMENT

Observation: There is no formal capitalization policy for purchases of property and equipment, and so minor purchases are capitalized.

Recommendation: The Organization should set a dollar limit for capitalization on purchases of property and equipment.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS