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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

WITH INDEPENDENT AUDITORS' REPORT THEREON

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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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, 2010 and 2009, and the related statements of activities and change in net assets, 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 International Committee of Sports for the Deaf, Inc., as of December 31, 2010 and 2009, 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 black ink that reads "T.R. Klein & Company". The signature is written in a cursive, flowing style.

February 10, 2012

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash	\$ 142,920	\$ 305,526
Investments	167,677	147,360
Contribution receivable	43,000	-
Accounts receivable	42,992	27,864
Deposits and prepaid expenses	4,279	4,229
Property and equipment, net	4,155	6,094
Total assets	405,023	491,073
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	20,131	17,195
Deferred revenue	35,000	35,000
Total liabilities	55,131	52,195
Net assets:		
Unrestricted:		
Available for general activities	345,522	406,108
Board designated	4,370	4,370
	349,892	410,478
Temporarily restricted	-	28,400
Total net assets	349,892	438,878
Total liabilities and net assets	\$ 405,023	\$ 491,073

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

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

**STATEMENTS OF ACTIVITIES AND
CHANGE IN NET ASSETS**

	YEAR ENDED DECEMBER 31, 2010			YEAR ENDED DECEMBER 31, 2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:						
Contributions	\$ 211,040	\$ -	\$ 211,040	\$ 305,250	\$ 28,400	\$ 333,650
Membership dues	37,550	-	37,550	37,200	-	37,200
Program fees	23,730	-	23,730	221,363	-	221,363
Interest	5,062	-	5,062	2,436	-	2,436
Realized and unrealized gain on investments	19,687	-	19,687	24,270	-	24,270
Miscellaneous	238	-	238	6,093	-	6,093
Net asset released from restriction	28,400	(28,400)	-	-	-	-
	325,707	(28,400)	297,307	596,612	28,400	625,012
Expenses:						
Payroll and payroll related	200,138	-	200,138	179,112	-	179,112
Professional fees	69,694	-	69,694	36,679	-	36,679
Travel	65,645	-	65,645	85,976	-	85,976
Occupancy	26,507	-	26,507	31,391	-	31,391
Memberships	3,795	-	3,795	2,823	-	2,823
Printing and postage	5,509	-	5,509	1,529	-	1,529
Telephone	3,297	-	3,297	3,523	-	3,523
Supplies	8,520	-	8,520	10,849	-	10,849
Miscellaneous	1,249	-	1,249	11,931	-	11,931
Depreciation	1,939	-	1,939	1,621	-	1,621
	386,293	-	386,293	365,434	-	365,434
Change in net assets	(60,586)	(28,400)	(88,986)	231,178	28,400	259,578
Net assets - beginning of year	410,478	28,400	438,878	179,300	-	179,300
Net assets - end of year	\$ 349,892	\$ -	\$ 349,892	\$ 410,478	\$ 28,400	\$ 438,878

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (88,986)	\$ 259,578
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,939	1,621
Realized and unrealized gain on investments	(19,687)	(24,270)
(Increase) decrease in:		
Contribution receivable	(43,000)	-
Accounts receivable	(15,128)	(4,490)
Deposits and prepaid expenses	(50)	(2,577)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,936	4,260
Deferred revenue	-	35,000
	<u>(161,976)</u>	<u>269,122</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Cash paid for equipment	-	(2,933)
Purchase of investments and reinvested dividends	(630)	(216,386)
Cash received from sale of investments	-	214,713
	<u>(630)</u>	<u>(4,606)</u>
Net cash (used in) investing activities		
Net (decrease) increase in cash	(162,606)	264,516
Cash - beginning of year	<u>305,526</u>	<u>41,010</u>
Cash - end of year	<u>\$ 142,920</u>	<u>\$ 305,526</u>

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

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) is a nonprofit organization that 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 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 grassroots 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

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

1 - Summary of Significant Accounting Policies

Contributions and Revenue (continued)

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.

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 with readily determinable fair values and are carried at fair value based on quoted prices in active markets (Level 1). Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur.

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

1 - Summary of Significant Accounting Policies

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. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods are immaterial.

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. The Organization uses the direct expensing method to account for planned major maintenance activities.

Cash Equivalents

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

2 - Income Taxes (continued)

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization thus the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

3 - Net Assets

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

	2010	2009
Lovett Leadership and Training	\$ 4,370	\$ 4,370

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 \$ 1,550. Rent expense for the years ended December 31, 2010 and 2009 was \$ 23,685 and \$ 28,442, respectively.

5 - Concentrations

The Organization received approximately 70% and 17% of its income from the International Olympic Committee for the years ended December 31, 2010 and 2009, respectively.

6 - Functional Expenses

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

Program service	263,647	274,075
Management, general and fund raising	122,646	91,359
	\$ 386,293	\$ 365,434

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

7 - Investments

The Organization's investments are carried at fair value (as determined by quoted prices in active markets for identical assets). Investments consisted of the following at December 31,:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	<u>\$ 139,082</u>	<u>\$ 167,677</u>	<u>\$ 135,739</u>	<u>\$ 147,360</u>

8 - Fair Value Measurements

The accounting codification 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 fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

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 markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

8 - Fair Value Measurements (continued)

The asset 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 is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

Fair values for investments in mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

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

<u>December 31, 2010</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Asset Inputs (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable (Level 3)</u>
Mutual Funds	<u>\$ 167,677</u>	<u>\$ 167,677</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>December 31, 2009</u>				
Mutual Funds	<u>\$ 147,360</u>	<u>\$ 147,360</u>	<u>-</u>	<u>-</u>

9 - Related Party Transactions

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

	<u>2010</u>	<u>2009</u>
Professional Services	<u>\$ 12,000</u>	<u>\$ -</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

10 - Property and Equipment

Property and equipment consisted of the following as of December 31,:

	<u>2010</u>	<u>2009</u>
Furniture	\$ 8,294	\$ 8,294
Computer equipment	<u>8,003</u>	<u>8,003</u>
	16,297	16,297
Less accumulated depreciation	<u>12,142</u>	<u>10,203</u>
	<u><u>4,155</u></u>	<u><u>6,094</u></u>

11 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following for the years ended December 31,:

Intern Salary	<u>\$ -</u>	<u>\$ 28,400</u>
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12 - Subsequent Events

GAAP requires organizations to evaluate events and transactions that occur after the statement of financial position date but before the date the financial statements are available to be issued. GAAP requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the statement of financial position date, including the estimates inherent in the financial preparation process. Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. The Organization has evaluated subsequent events through the date the financial statements were available to be issued on February 10, 2012, and determined the following required disclosure: The 2011 Winter Deaflympics games in Slovakia were cancelled.

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

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

13 - Use of Estimates in Financial Statements

The preparation of financial statements in conformity with 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 reporting period. Actual results could differ from those estimates.

(Continued)