

***LEAGUE FOR THE DEAF &
HARD OF HEARING***

FINANCIAL STATEMENTS

JUNE 30, 2008

LEAGUE FOR THE DEAF & HARD OF HEARING

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
League for the Deaf & Hard of Hearing:

We have audited the accompanying statement of financial position of League for the Deaf & Hard of Hearing (a nonprofit organization) as of June 30, 2008, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of League for the Deaf & Hard of Hearing'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 audit 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 League for the Deaf & Hard of Hearing as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
January 29, 2009

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

CURRENT ASSETS:

| | |
|--|----------------|
| Cash and cash equivalents | \$ 136,894 |
| Promises to give | 130,218 |
| Accounts receivable, net of allowance for doubtful accounts of \$2,880 | 57,880 |
| Grants receivable | 12,489 |
| Loans receivable | 4,688 |
| Total current assets | <u>342,169</u> |

INVESTMENTS IN MARKETABLE SECURITIES 8,927

NET PROPERTY AND EQUIPMENT 1,215,684

TOTAL ASSETS \$ 1,566,780

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|--|---------------|
| Accounts payable and accrued liabilities | \$ 15,553 |
| Total current liabilities | <u>15,553</u> |

NET ASSETS:

| | |
|------------------------|------------------|
| Unrestricted | 1,418,487 |
| Temporarily restricted | 132,740 |
| Total net assets | <u>1,551,227</u> |

TOTAL LIABILITIES AND NET ASSETS \$ 1,566,780

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

LEAGUE FOR THE DEAF & HARD OF HEARING

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| REVENUES, GAINS AND OTHER SUPPORT: | | | |
| Contributions | \$ 63,672 | \$ 100,863 | \$ 164,535 |
| Grants | 174,361 | 75,705 | 250,066 |
| Program service fees | 485,163 | - | 485,163 |
| Special events | 31,679 | - | 31,679 |
| Rental income | 37,500 | - | 37,500 |
| Net investment return | 5,662 | - | 5,662 |
| Miscellaneous income | 5,388 | - | 5,388 |
| Total | 803,425 | 176,568 | 979,993 |
| Net assets released from restrictions | 132,379 | (132,379) | - |
| Total revenues, gains and other support | 935,804 | 44,189 | 979,993 |
| EXPENSES: | | | |
| Program services | 723,520 | - | 723,520 |
| Fundraising | 27,701 | - | 27,701 |
| Management and general | 210,361 | - | 210,361 |
| Unrelated rental | 28,355 | - | 28,355 |
| Total expenses | 989,937 | - | 989,937 |
| CHANGE IN NET ASSETS | (54,133) | 44,189 | (9,944) |
| NET ASSETS: | | | |
| Beginning of year, as restated | 1,472,620 | 88,551 | 1,561,171 |
| End of year | <u>\$ 1,418,487</u> | <u>\$ 132,740</u> | <u>\$ 1,551,227</u> |

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

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ (9,944) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation | 46,570 |
| Unrealized gains on investments | (3,857) |
| Loss on disposal of assets | 25,822 |
| Net changes in operating assets and liabilities: | |
| Promises to give and other receivables | (59,961) |
| Accounts payable and accrued liabilities | <u>(3,087)</u> |
| Net cash used in operating activities | (4,457) |
| CASH FLOWS FROM INVESTING ACTIVITIES | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | <u>-</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (4,457) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>141,351</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 136,894</u> |

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

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

| | Program Services | | | | | Supporting Services | | | | | |
|------------------------------------|---------------------|-----------|----------------------|-------------------|-------------|---------------------|---------------|-------------|------------------------|------------------|----------------|
| | Employment Services | Education | Interpreter Referral | Social Adjustment | Teen Center | Wellness | Total Program | Fundraising | Management and General | Unrelated Rental | Total Expenses |
| Salaries and employee benefits | \$ 38,328 | \$ 9,147 | \$ 143,275 | \$ - | \$ 61,416 | \$ 26,345 | \$ 278,511 | \$ 9,884 | \$ 141,534 | \$ - | \$ 429,929 |
| Telephone | 987 | 227 | 9,838 | - | 2,376 | 445 | 13,873 | - | 929 | - | 14,802 |
| Postage and mailing | 163 | 101 | 371 | 411 | 326 | 66 | 1,438 | 1,656 | 920 | - | 4,014 |
| Computer related | 863 | 60 | 2,794 | 120 | 693 | 141 | 4,671 | 60 | 2,291 | - | 7,022 |
| Conferences and workshops | 40 | - | 241 | - | - | - | 281 | - | 535 | - | 816 |
| Books, subscriptions and dues | 202 | - | 1,358 | - | 80 | 15 | 1,655 | 5 | 1,491 | - | 3,151 |
| Insurance | 1,556 | 1,053 | 7,804 | 367 | 10,429 | 974 | 22,183 | - | 5,131 | 1,467 | 28,781 |
| Utilities | 1,129 | 1,129 | 5,765 | 1,116 | 1,590 | 774 | 11,503 | - | 4,603 | 6,181 | 22,287 |
| Janitorial and grounds | 251 | 236 | 1,035 | 236 | 782 | 191 | 2,731 | - | 1,038 | 6,822 | 10,591 |
| Maintenance and repair | 565 | 595 | 1,909 | 621 | 3,116 | 451 | 7,257 | 84 | 2,575 | 2,964 | 12,880 |
| Equipment rental | 162 | 162 | 868 | 1,472 | 737 | 103 | 3,504 | 277 | 626 | - | 4,407 |
| Supplies | 437 | 1,232 | 1,277 | 458 | 1,794 | 1,697 | 6,895 | 150 | 3,981 | 245 | 11,271 |
| Taxes | - | - | - | - | - | - | - | - | - | 5,217 | 5,217 |
| Advertising and public relations | 2,892 | 3,751 | 9,675 | 346 | 6,704 | 1,492 | 24,860 | 7,222 | 5,771 | - | 37,853 |
| Professional fees - interpreters | - | - | 248,478 | - | - | - | 248,478 | - | - | - | 248,478 |
| Professional fees - other | - | 195 | 703 | - | 2,214 | 369 | 3,481 | - | 9,603 | - | 13,084 |
| Vehicles and travel | 646 | - | 8,046 | - | 4,410 | - | 13,102 | - | 291 | - | 13,393 |
| Youth activities | - | - | - | - | 11,297 | - | 11,297 | - | - | - | 11,297 |
| Class expenses and gifts | - | 4,575 | 100 | - | - | - | 4,675 | - | 345 | - | 5,020 |
| Fundraising expenses | - | - | - | - | - | - | - | 7,587 | - | - | 7,587 |
| Educational awareness | - | 2,000 | - | - | - | - | 2,000 | - | - | - | 2,000 |
| Loss on sale of assets | - | - | - | - | 23,786 | - | 23,786 | - | 2,036 | - | 25,822 |
| Miscellaneous expense | 419 | 120 | 1,038 | 702 | 2,153 | 249 | 4,681 | - | 16,023 | - | 20,704 |
| Bad debts | - | - | 2,960 | - | - | - | 2,960 | - | - | - | 2,960 |
| Total expenses before depreciation | 48,640 | 24,583 | 447,535 | 5,849 | 133,903 | 33,312 | 693,822 | 26,925 | 199,723 | 22,896 | 943,366 |
| Depreciation | 3,007 | 711 | 10,606 | - | 13,434 | 1,940 | 29,698 | 776 | 10,638 | 5,459 | 46,571 |
| Total expenses | \$ 51,647 | \$ 25,294 | \$ 458,141 | \$ 5,849 | \$ 147,337 | \$ 35,252 | \$ 723,520 | \$ 27,701 | \$ 210,361 | \$ 28,355 | \$ 989,937 |

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

LEAGUE FOR THE DEAF & HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 – THE ENTITY

League for the Deaf & Hard of Hearing (the "League") operates to provide interpreters for the deaf and hard of hearing in educational, vocational, medical and legal situations. The League also provides the deaf and hard of hearing with information and referral services. The League is supported primarily through United Way, private grants, federal and state grants, service fees, and donor contributions.

See Note 10 for a description of a subsequent merger with another organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2008 in these financial statements refer to the year ended June 30, 2008 unless otherwise noted.

Financial Statement Presentation

The League is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted – This class includes net assets that are not subject to any donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – This class includes net assets whose use by the League is subject to donor-imposed restrictions that can be fulfilled by actions of the League pursuant to those restrictions or that expire by the passage of time. 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. Additionally, any temporarily restricted contributions whose restrictions are met in the same reporting year are shown as unrestricted revenues.

Permanently Restricted – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by the League. Generally, the donors of these assets permit the League to use all or part of the income earned on any related investments for general or specific purposes.

See Note 6 for further details related to net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the League considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The League may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the League has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

LEAGUE FOR THE DEAF & HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Gains and losses, whether realized or unrealized, are included in the statement of activities and changes in net assets.

See Note 3 for further details related to investments.

Contributions and Promises to Give

Contributions are recognized as revenues when the donor makes a promise to give to the League that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The League also receives grant revenue from government agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The League uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2008, management deemed all promises receivable to be fully collectible, and no allowances have been recorded.

See Note 4 for further details related to promises to give.

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or fair value at the date of gift. Depreciation expense is computed by using the straight-line method over the estimated useful lives of the related assets, which range from five to ten years for furniture and equipment and thirty five years for the building. All expenditures for property, plant and equipment in excess of \$1,000 are capitalized.

See Note 5 for further details related to property and equipment.

Income Taxes

The League is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

THE LEAGUE FOR THE DEAF & HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by the League if not contributed. The League received a substantial amount of donated services from unpaid volunteers which did not meet the criteria for recognition.

Donated assets and rights or benefits (e.g. leases, etc.) are recognized at fair value on the date contributed.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

As described in Note 2, the League's investments are recorded at fair value. The fair value and cost of investments consisted of the following at June 30, 2008:

| | |
|----------------------|-----------------|
| Fair value | \$ 8,927 |
| Cost | <u>(1,338)</u> |
| Net unrealized gains | <u>\$ 7,589</u> |

The net investment return consisted of the following for 2008:

| | |
|------------------------------|-----------------|
| Interest and dividend income | \$ 1,805 |
| Net unrealized gains | <u>3,857</u> |
| Net investment return | <u>\$ 5,662</u> |

THE LEAGUE FOR THE DEAF & HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008

NOTE 4 – PROMISES TO GIVE

Promises to give consisted of the following at June 30, 2008:

| | |
|------------------------|-------------------|
| United Way | \$ 99,663 |
| Baptist Healing Trust | 30,555 |
| Total promises to give | <u>\$ 130,218</u> |

All of the above promises are intended to provide funding for the next fiscal year.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2008:

| | |
|--------------------------------|---------------------|
| Land | \$ 479,354 |
| Building and improvements | 1,051,409 |
| Office furniture and equipment | 128,432 |
| Vehicles | 35,745 |
| Total cost | <u>1,694,940</u> |
| Less accumulated depreciation | <u>(479,256)</u> |
| Property and equipment, net | <u>\$ 1,215,684</u> |

NOTE 6 – NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2008:

| | |
|--|-------------------|
| For subsequent fiscal year's operations: | |
| United Way | \$ 99,663 |
| Baptist Healing Trust | 30,555 |
| For specific purposes: | |
| Scholarships | 2,522 |
| Total temporarily restricted net assets | <u>\$ 132,740</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the passage of time restrictions during 2008 as follows:

| | |
|---|-------------------|
| United Way | \$ 85,229 |
| Baptist Healing Trust | 45,150 |
| Scholarships | 2,000 |
| Total net assets released from restrictions | <u>\$ 132,379</u> |

THE LEAGUE FOR THE DEAF & HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

NOTE 6 – NET ASSETS (CONTINUED)

Beginning net assets as of July 1, 2007 were restated due to the correction of errors in reporting promises to give as of that date. Following are the impacts of those corrections:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> |
|---|---------------------|-----------------------------------|
| Beginning net assets, as previously reported | \$ 1,479,722 | \$ 3,322 |
| Reclassification of temporarily restricted promises to give | (7,102) | 7,102 |
| Recognition of additional promises to give | - | 78,127 |
| Beginning net assets, as restated | <u>\$ 1,472,620</u> | <u>\$ 88,551</u> |

NOTE 7– EMPLOYEE BENEFIT PLAN

The League has a defined contribution employee benefit plan covering all full-time employees over the age of 21 with at least one year of employment. Expenses related to the plan were \$24,144 for 2008.

NOTE 8 – COMMITMENTS

Grant expenditures are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for potential reimbursements to the grantor.

The League, during June 1998, entered into a five-year lease with a tenant to occupy space in the League's building at a monthly rent of \$3,125. Both parties adopted an amendment during October 2003, for an increase of \$650 in exchange for additional space leased. Subsequent to June 30, 2008, the tenant vacated the premises, and the rental income ceased.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the League to concentrations of credit risk principally consist of promises to give, accounts receivable and grants receivable. At June 30, 2008, three entities comprised the entire balance of promises to give and grants receivable. These same three entities accounted for approximately \$364,000 of contributions and grants recognized by the League during 2008. During 2008, one entity accounted for approximately 11% of program service fees.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to June 30, 2008, the assets and the operations of another nonprofit entity, the Ear Foundation, were merged into the League.