

LEAGUE FOR THE DEAF & HARD OF HEARING

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BELLENFANT + MILES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
League for the Deaf & Hard of Hearing
Nashville, Tennessee

We have audited the accompanying statement of financial position of the League for the Deaf & Hard of Hearing as of June 30, 2006, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the League'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the League for the Deaf & Hard of Hearing, as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006 on our consideration of League for the Deaf & Hard of Hearing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the League for the Deaf & Hard of Hearing taken as a whole. The accompanying schedule of expenditures of grant awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bellenfant & Miles, P.C.

August 16, 2006

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

ASSETS

Current Assets:

Cash	\$ 201,729
Accounts receivable	35,743
Grants receivable	12,489
Prepaid expenses	3,550
Investments	4,302
	<hr/>
Total Current Assets	257,813
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Land, Building and Equipment:

Land, building and equipment	1,754,512
Less: accumulated depreciation	(441,489)
	<hr/>
Land, Building and Equipment, net	1,313,023
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Total Assets	\$ 1,570,836
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	9,530
	<hr/>
Total Current Liabilities	9,530
	<hr/>

Net Assets

Unrestricted	
Undesignated	1,557,184
Temporarily restricted	4,122
	<hr/>
Total Net Assets	1,561,306
	<hr/>
Total Liabilities and Net Assets	\$ 1,570,836
	<hr/>

The accompanying notes are an integral part of this statement

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Received directly - contributions	\$ 123,342	\$ -	\$ 123,342
Received indirectly - United Way	95,216	-	95,216
Federal and state awards	176,253	-	176,253
Program service fees	381,782	-	381,782
Rent income	45,300	-	45,300
Miscellaneous	15,185	-	15,185
Net Assets released from restrictions	1,778	(1,778)	-
	<u>838,856</u>	<u>(1,778)</u>	<u>837,078</u>
Total Support and Revenue			
	<u>838,856</u>	<u>(1,778)</u>	<u>837,078</u>
Expenses:			
Program services	671,341		671,341
Supporting services	173,157	-	173,157
Unrelated rental	36,421	-	36,421
	<u>880,919</u>	<u>-</u>	<u>880,919</u>
Total Expenses			
	<u>880,919</u>	<u>-</u>	<u>880,919</u>
Change in net assets	<u>(42,063)</u>	<u>(1,778)</u>	<u>(43,841)</u>
Net assets July 1, 2005	<u>1,599,247</u>	<u>5,900</u>	<u>1,605,147</u>
Net assets June 30, 2006	<u>\$ 1,557,184</u>	<u>\$ 4,122</u>	<u>\$ 1,561,306</u>

The accompanying notes are an integral part of this statement

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2006

	Program Services						Support Services				
	Employment Services	Education	Interpreter Referral	Social Adjustment	Teen Center	Total Program	Management and General	Fundraising	Total	Unrelated Rental	Grand Total
Salaries	\$ 28,900	\$ 14,959	\$ 147,702	\$ -	\$ 54,056	\$ 245,617	\$ 56,898	\$ 14,744	\$ 71,642	\$ -	317,259
Payroll taxes	3,803	1,969	19,438	-	7,114	32,324	7,488	1,940	9,428	-	41,752
Pension	-	-	19,099	-	-	19,099	12,688	-	12,688	-	32,787
Telephone	596	292	5,076	-	1,484	7,448	1,218	-	1,218	-	8,666
Postage and mailing	169	169	675	488	711	2,212	680	675	1,355	-	3,567
Computer related	239	239	1,337	226	1,228	3,269	4,993	252	5,245	1,354	9,868
Conferences and workshops	110	-	427	-	292	829	272	-	272	-	1,101
Books, subscriptions, and dues	-	-	1,670	-	-	1,670	1,233	192	1,425	-	3,095
Insurance	557	279	4,794	279	4,015	9,924	3,496	1,201	4,697	1,115	15,736
Utilities	1,045	1,045	3,134	1,045	5,637	11,906	3,134	-	3,134	6,267	21,307
Janitorial and grounds	753	753	2,260	753	3,767	8,286	2,260	-	2,260	4,621	15,167
Maintenance and repair	426	426	1,278	426	2,399	4,955	1,327	-	1,327	3,093	9,375
Equipment rental	295	295	885	295	1,474	3,244	885	-	885	1,769	5,898
Supplies	492	215	1,289	607	2,667	5,270	2,770	365	3,135	-	8,405
Taxes	-	-	-	-	-	-	-	-	-	3,177	3,177
Advertising and public relations	2,977	3,331	6,860	250	5,998	19,416	7,238	8,442	15,680	-	35,096
Professional fees - interpreters	-	-	216,184	-	40	216,224	-	-	-	-	216,224
Professional fees - other	-	682	-	-	417	1,099	14,302	257	14,559	-	15,658
Travel	529	-	5,928	-	1,149	7,606	904	-	904	-	8,510
Vehicle expense	-	-	20	-	2,250	2,270	-	-	-	-	2,270
Youth activities	-	-	-	-	4,254	4,254	-	-	-	-	4,254
Class expenses and gifts	-	15,906	-	-	-	15,906	-	-	-	-	15,906
Fundraising expenses	-	-	-	-	-	-	-	8,320	8,320	-	8,320
Educational awareness	283	17,409	102	-	-	17,794	-	-	-	-	17,794
Miscellaneous	102	124	2,292	101	514	3,133	754	5,684	6,438	-	9,571
Depreciation	2,508	2,508	7,523	2,508	12,539	27,586	7,523	22	7,545	15,025	50,156
Total Expenses	\$ 43,784	\$ 60,601	\$ 447,973	\$ 6,978	\$ 112,005	\$ 671,341	\$ 130,063	\$ 42,094	\$ 172,157	\$ 36,421	880,919

The accompanying notes are an integral part of this statement.

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (43,841)
Depreciation	50,156
(Increase) decrease in:	
Unconditional promises to give	5,900
Accounts receivable	30,932
Prepaid expenses	(1,810)
Market value of investments	(503)
Increase (decrease) in:	
Accounts payable	<u>(9,328)</u>
Net Cash Provided by Operating Activities	<u>31,506</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital assets acquired	<u>(13,869)</u>
Net Cash Used by Investing Activities	<u>(13,869)</u>
Net Increase in Cash	17,637
Cash, July 1, 2005	<u>184,092</u>
Cash, June 30, 2006	<u><u>\$ 201,729</u></u>

The accompanying notes are an integral part of this statement

LEAGUE FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The League for the Deaf and 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 federal financial assistance, service fees, and donor contributions. Approximately 21% of the League's support came from government assistance.

Reporting Entity

The Board of Directors is the governing body comprised of community volunteers to which management is accountable.

Basis of Presentation:

The League prepares its financial statements and maintains its financial accounting records on the accrual basis of accounting. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117. Under SFAS No. 117, the League is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The League has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received, which include unconditional promises to give (pledges) are recognized as revenue in the period received. Revenue is classified as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of the League and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the League maintains them permanently. Generally, the donors of these assets permit the League to use all or part of the income earned on related investments for general or specific purposes.

LEAGUE FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition:

A significant part of the League's support is derived from governmental assistance. Contributions by grantors for specific purposes are reported as support in the period a liability is incurred for expenditures in compliance with specific grant requirements. Such amounts received but not yet recognized are reported as deferred 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 as net assets released from restrictions.

Functional Allocation of Expenses:

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

Estimates:

The preparation of financial statements in conformity with 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.

Cash Equivalents:

For purposes of the statement of cash flows, the League considers checking and money market accounts with an original maturity of three months or less to be cash equivalents.

Investments:

The League has adopted SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

LEAGUE FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Materials and Services:

Contributed materials and services represent the estimated fair value of materials and general corporate services provided. Contributed services are reflected in the financial statements at the fair value of the services received. The contribution of services is recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

2. FEDERAL INCOME TAX STATUS

The League has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

3. GRANTS RECEIVABLE

Grants receivable consists of receivables from programs funded by the Tennessee Department of Health and Human Services. Financial activities of those programs are summarized in the schedule of expenditures of grant awards.

4. ACCOUNTS RECEIVABLE

Accounts Receivable are comprised of the following:

Program service fees	\$ 35,715
United Way allocations	2,349
Less: allowance for uncollectible accounts	<u>(2,321)</u>
Accounts receivable, net	<u>\$ 35,743</u>

The League uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific outstanding balances.

LEAGUE FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

5. INVESTMENTS

Investments are comprised of marketable securities that are stated at estimated fair value and are summarized as follows as of June 30, 2006:

	Cost	Estimated Fair Value
Marketable Securities	<u>\$ 1,338</u>	<u>\$ 4,302</u>

6. LAND, BUILDING AND EQUIPMENT

Land, building and equipment are stated at cost or estimated fair market value, if contributed. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the League reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The League reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Generally the League capitalizes assets that carry forward value to future periods purchased at a cost of \$250 or more. Depreciation is calculated using the straight-line method over the estimated useful life of each asset that ranges from 5 - 35 years based upon the purpose of the asset.

The carrying value of such assets at June 30, 2006 is as follows:

Land	\$ 479,354
Building	766,963
Building Improvements	307,804
Furniture and Equipment	175,146
Vehicles	25,245
	<u>1,754,512</u>
Less: accumulated depreciation	<u>(441,489)</u>
Land, Building and Equipment	<u>\$ 1,313,023</u>

Depreciation expense was \$50,155 for the fiscal year ended June 30, 2006.

LEAGUE FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT PLAN JUNE 30, 2006

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. Expense related to the plan was \$23,348 for the year ended June 30, 2006.

8. COMMITMENTS

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. This lease continues in absence of an official renewal. The League is also a party to two leases for copy machines and related maintenance agreements.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The League's financial instruments include cash, receivables and investments. The League estimates that the aggregate fair value of all financial instruments at June 30, 2006, is recorded in the accompanying statement of financial position. The League using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the League could realize in a current market exchange.

LEAGUE FOR THE DEAF & HARD OF HEARING
SCHEDULE OF EXPENDITURES OF GRANT AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Grantor Agency</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>Federal grants as identified in the</u> <u>Catalog of Federal Domestic Assistance</u>							
Rehabilitation services							
(7/1/04 - 6/30/05)	84.126	GR0415529-02	Tennessee Department of Health and Human Services	\$ 12,489	\$ 12,489	\$ -	\$ -
(7/1/05 - 6/30/06)	84.126	GR0415529-03	Tennessee Department of Health and Human Services	-	137,511	150,000	12,489
				12,489	150,000	150,000	12,489
Total Grants				\$ 12,489	\$ 150,000	\$ 150,000	\$ 12,489

**AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
League for the Deaf & Hard of Hearing
Nashville, Tennessee

We have audited the financial statements of League for the Deaf and Hard of Hearing, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered League for the Deaf and Hard of Hearing's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether League for the Deaf and Hard of Hearing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

August 16, 2006

LEAGUE FOR THE DEAF & HARD OF HEARING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

PART I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of League for the Deaf and Hard of Hearing.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditors' Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of League for the Deaf and Hard of Hearing, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.

**PART II – FINDINGS AND QUESTIONED COST REPORTED IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES**

1. There were no findings reported in accordance with generally accepted government auditing procedures.

LEAGUE FOR THE DEAF & HARD OF HEARING
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

There were no audit findings for the year ended June 30, 2005.