

LEAGUE FOR THE DEAF & HARD OF HEARING

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June 30, 2005

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of League for the Deaf & Hard of Hearing (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the League's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 20, 2005, on my consideration of the League's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. This 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 my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the League taken as a whole. The accompanying schedule of federal and state awards is presented for 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.

Also, other financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Joel D. Palm, P.C.

September 20, 2005

League for the Deaf & Hard of Hearing
Statement of Financial Position
June 30, 2005

ASSETS

Current:

Cash (Note 1)	\$ 184,092
Unconditional promises to give (Note 2)	5,900
Accounts receivable (Note 3)	66,675
Grants receivable	12,489
Prepaid expenses	1,740
Investments (Notes 4,9)	3,799

Property and Equipment:

Land, building and equipment (Note 5)	<u>1,349,309</u>
	<u>\$ 1,624,004</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current:

Accounts payable	\$ 5,971
Accrued expenses	<u>12,886</u>
Total	<u>18,857</u>

NET ASSETS

Unrestricted

Undesignated	1,599,247
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Temporarily restricted (Note 2,6)

	<u>5,900</u>
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Total net assets	<u>1,605,147</u>
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\$ 1,624,004

See Accompanying Notes to Financial Statements

League for the Deaf & Hard of Hearing
Statement of Activities
For the Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Received directly - contributions	\$ 99,859	\$ 26,600	\$ 126,459
Received indirectly - United Way	103,572	-	103,572
Federal and state awards	-	170,000	170,000
Program service fees	346,651	-	346,651
Rent income	45,500	-	45,500
Miscellaneous	12,221	-	12,221
Total support and revenue	607,803	196,600	804,403
Net assets released from restrictions (Note 6)	217,300	(217,300)	-
Total public support, revenue and reclassifications	825,103	(20,700)	804,403
Expenses			
Program services	566,845	-	566,845
Supporting services	231,869	-	231,869
Unrelated rental	40,419	-	40,419
Total expenses	839,133	-	839,133
Decrease in net assets from operations	(14,030)	(20,700)	(34,730)
<u>Non-operating revenues (expenses)</u>			
Unrealized loss on investments (Note 9)	(773)	-	(773)
Total non-operating revenues (expenses)	(773)	-	(773)
Net assets, beginning	1,614,050	26,600	1,640,650
Net assets, ending	\$ 1,599,247	\$ 5,900	\$ 1,605,147

See Accompanying Notes to Financial Statements

League for the Deaf & Hard of Hearing
Statement of Functional Expenses
For the Year Ended June 30, 2005

	Program Services						Supporting Services			Unrelated Rental	Grand Total
	Employment Services	Education	Interpreter Referral	Social Adjustment	Teen Center	Total	Management & General	Fundraising	Total		
Salaries	\$ 18,122	\$ 2,350	\$ 116,161	\$ -	\$ 50,717	\$ 187,350	\$ 126,869	\$ -	\$ 126,869	\$ -	\$ 314,219
Payroll taxes & benefits	-	383	25,971	157	-	26,511	14,668	-	14,668	-	41,179
Pension (Note 7)	-	-	14,942	-	-	14,942	8,405	-	8,405	-	23,347
Telephone	699	342	4,661	-	1,650	7,352	1,454	-	1,454	-	8,806
Postage & mailing	154	241	632	307	725	2,059	1,155	614	1,769	-	3,828
Computer related	-	-	-	-	-	-	4,306	-	4,306	-	4,306
Conferences & workshops	125	-	844	-	344	1,313	98	-	98	-	1,411
Books, subscriptions & dues	100	-	1,783	-	7	1,890	1,885	148	2,033	-	3,923
Insurance	352	175	1,103	175	1,936	3,741	3,092	1,227	4,319	704	8,764
Utilities	984	978	2,934	984	4,922	10,802	2,954	-	2,954	5,906	19,662
Janitorial/grounds	699	699	2,098	700	3,497	7,693	2,134	-	2,134	4,196	14,023
Maintenance & repair	1,109	1,109	3,328	1,349	5,547	12,442	4,030	-	4,030	7,262	23,734
Equipment rental	243	243	728	243	1,213	2,670	816	-	816	1,457	4,943
Supplies	807	1,842	1,973	359	3,343	8,324	4,142	551	4,693	431	13,448
Taxes	-	-	-	-	-	-	-	-	-	4,700	4,700
Advertising & public relations	3,066	2,784	7,096	616	7,011	20,573	6,994	8,497	15,491	-	36,064
Professional fees - interpreters	-	-	191,017	-	125	191,142	9,231	-	9,231	-	200,373
Professional fees - other	-	3,400	-	-	646	4,046	4,246	631	4,877	-	8,923
Travel	65	-	3,827	-	756	4,648	408	-	408	-	5,056
Vehicle expense	-	-	-	30	3,423	3,453	27	-	27	-	3,480
Youth activities	-	-	-	-	2,557	2,557	-	-	-	-	2,557
Class expenses & gifts	-	525	620	79	-	1,224	491	-	491	-	1,715
Fundraising expenses	-	-	-	-	-	-	-	10,888	10,888	-	10,888
Educational awareness	-	18,132	-	-	-	18,132	-	-	-	-	18,132
Miscellaneous	195	280	789	195	996	2,455	1,875	-	1,875	-	4,330
Depreciation	2,866	2,866	8,598	2,866	14,330	31,526	8,599	1,433	10,032	15,763	57,321
Total expense	\$ 29,586	\$ 36,349	\$ 389,105	\$ 8,060	\$ 103,745	\$ 566,845	\$ 207,880	\$ 23,989	\$ 231,869	\$ 40,419	\$ 839,133

See Accompanying Notes to Financial Statements

League for the Deaf and Hard of Hearing
Statement of Cash Flows
For the Year Ended June 30, 2005

Cash flows from operating activities

Decrease in net assets from operations	\$ (34,730)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	57,321
Decrease in unconditional promises to give	10,700
Increase in accounts receivable	(16,843)
Increase in prepaid expenses	(565)
Decrease in market value of investments	773
Decrease in accounts payable	(417)
Increase in accrued expenses	2,708
Net cash from operating activities	<u>18,947</u>

Cash flows from capital and related financing activities

Acquisition of capital assets	<u>(10,864)</u>
Net cash used by capital and related financing activities	<u>(10,864)</u>

Cash flows from investing activities

Unrealized loss on investments (Note 9)	<u>(773)</u>
Net cash used by investing activities	<u>(773)</u>
Net increase in cash	7,310

Beginning cash and cash equivalents	<u>176,782</u>
Ending cash and cash equivalents	\$ <u><u>184,092</u></u>

Required Supplemental Disclosure

Taxes Paid	\$ <u><u>4,700</u></u>
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See Accompanying Notes to Financial Statements

LEAGUE FOR THE DEAF & HARD OF HEARING
Notes to Financial Statements
June 30, 2005

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The League for the Deaf & Hard of Hearing (the League) was formed 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 federal & state financial assistance.

Reporting Entity

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

Basis of Accounting

The League follows the accrual basis of accounting where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Financial Statement Presentation

The League has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the League is required to report information regarding its financial position and activities according to three classes of net assets. In addition, the League is required to present a statement of cash flows.

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.

Promises to Give

Contributions are recognized 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.

LEAGUE FOR THE DEAF & HARD OF HEARING
Notes to Financial Statements (Cont.)
June 30, 2005

Note 1 – Nature of Activities and Significant Accounting Policies (Cont.)

Promises to Give (Cont.)

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.

Cash Equivalents

Cash and cash equivalents are comprised of cash, demand deposits, and savings.

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.

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 are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skill that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

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.

Functional Allocation of Expenses

The costs of providing the League's various programs and supporting services 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.

Income Taxes

The League is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The League has no excise or unrelated business income.

LEAGUE FOR THE DEAF & HARD OF HEARING
Notes to Financial Statements (Cont.)
June 30, 2005

Note 2 – Unconditional Promises To Give

Pledges receivable as of June 30, 2005, is presented as a component of temporarily restricted net assets. These unconditional promises to give, amounting to \$5,900, are to be received by the League for years subsequent to June 30, 2005, and management periodically reviews their collectible status. Unconditional promises to give arise primarily from individuals and corporations located within the region and are deemed to reflect present value.

Note 3 – Accounts Receivable

Receivables are comprised of the following:

Program service fees	\$ 61,301
United Way allocations	7,982
Less: allowance for uncollectible accounts	(<u>2,608</u>)
Net receivables	\$ <u>66,675</u>

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 outstanding balances.

Note 4 – Investments

Investments are comprised marketable securities that are stated at estimated fair value and are summarized as follows as of June 30, 2005:

	<u>Cost</u>	<u>Estimated Fair Value</u>
Marketable Securities	\$ <u>1,338</u>	\$ <u>4,572</u>

There were no indicators at the issuance of this report that the estimated fair value of the marketable securities had decreased substantially from the last date of fieldwork.

Note 5 – Land, Building and Equipment

Land, building and equipment is valued 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.

LEAGUE FOR THE DEAF & HARD OF HEARING
Notes to Financial Statements - (Cont.)
June 30, 2005

Note 5 – Land, Building and Equipment (Cont.)

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, 2005 is as follows:

Land	\$ 479,354
Furniture & equipment	168,623
Vehicles	25,244
Building	766,963
Building improvements	<u>300,459</u>
	1,740,643
Less: accumulated depreciation	(<u>391,334</u>)
	<u>\$1,349,309</u>

Depreciation expense amounted to \$57,321 for the fiscal year ended June 30, 2005.

Note 6 – Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

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. Expense related to this plan amounted to \$23,348 for the year ended June 30, 2005.

Note 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.

LEAGUE FOR THE DEAF & HARD OF HEARING
Notes to Financial Statements - (Cont.)
June 30, 2005

Note 9 – Fair Values 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, 2005, is recorded in the accompanying statement of financial position. The League uses available market information and appropriate valuation methodologies have 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.

ADDITIONAL INFORMATION

Schedule of Federal and State Awards - This schedule presents the recipient and program name of federal and state financial assistance.

League for the Deaf & Hard of Hearing
Schedule of Federal and State Awards
For the Year Ended June 30, 2005

Program Name	CFDA Number	Contract Number	Grantor Agency	Beginning Balance	Receipts	Expenditures	Ending Balance
Federal grants as identified in the							
Catalog of Federal Domestic Assistance							
Rehabilitation services (7-1-03 through 6-30-04)	84.126	GR-04-15529-01	Dept of Health & Human Svcs	\$ 12,489	\$ 12,489	\$ -	\$ -
Rehabilitation services (7-1-03 through 6-30-04)	84.126	GR-04-15529-02	"	-	105,561	118,050	12,489
Total				<u>12,489</u>	<u>118,050</u>	<u>118,050</u>	<u>12,489</u>
State grants							
Rehabilitation services	-	GR-01-13453-04	Dept of Health & Human Svcs	-	20,000	20,000	-
Rehabilitation services	-	GR-04-15529-02	"	-	31,950	31,950	-
Total				<u>-</u>	<u>51,950</u>	<u>51,950</u>	<u>-</u>
				<u>\$ 12,489</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 12,489</u>

COMPLIANCE AND INTERNAL CONTROL SECTION

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

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

I have audited the financial statements of League for the Deaf & Hard of Hearing (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued my report dated September 20, 2005, which was unqualified. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the League's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the League's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the management, federal and state awarding agencies and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Joel D. Park, P.C.

September 20, 2005

LEAGUE FOR THE DEAF & HARD OF HEARING
Schedule of Findings and Questioned Costs
June 30, 2005

PART I - SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of the League for the Deaf & Hard of Hearing
2. No reportable conditions in internal control were disclosed by the audit of the financial statements.
3. The audit did not disclose any noncompliance that is material to the financial statements of the League.
4. Federal grant expenditures amounted to less than \$300,000.

**PART II - FINDINGS AND QUESTIONED COSTS REPORTED IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES**

None

LEAGUE FOR THE DEAF & HARD OF HEARING
Disposition of Prior Year Findings
June 30, 2005

PRIOR YEAR AUDIT RECOMMENDATIONS IMPLEMENTED

(REF: Annual Financial Report for the FYE June 30, 2004)

None

PRIOR YEAR AUDIT RECOMMENDATIONS NOT IMPLEMENTED

(REF: Annual Financial Report for the FYE June 30, 2004)

None