LEAGUE FOR THE DEAF & HARD OF HEARING

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BELLENFANT + MILES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 25, 2007

To the Board of Directors
League for the Deaf and Hard of Hearing

We have audited the financial statements of The League for the Deaf and Hard of Hearing for the year ended June 30, 2007, and have issued our report thereon dated October 25, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of The League for the Deaf and Hard of Hearing. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

(Other Information in Documents Containing Audited Financial Statements)

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The League for the Deaf and Hard of Hearing are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of The League for the Deaf and Hard of Hearing and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bellenfant & Miles, P.C.

Bellenfant & Miles, P.C.
Certified Public Accountants

LEAGUE FOR THE DEAF & HARD OF HEARING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

ASSETS

Current Assets:	
Cash	$ 141,351
Accounts receivable	54,698
Grants receivable	12,489
Investments	5,070
Total Current Assets	213,608
Land, Building and Equipment:	
Land, building, and equipment	1,742,896
Less: accumulated depreciation	(454,820)
Land, Building and Equipment, net	1,288,076
Total Assets	$ 1,501,684

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	18,640
Total Current Liabilities	18,640
Net Assets	
Unrestricted	
Undesignated	1,479,722
Temporarily restricted	3,322
Total Net Assets	1,483,044
Total Liabilities and Net Assets	$ 1,501,684

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, 2007

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Received directly - contributions	$ 75,465	$ 200	$ 75,665
Received indirectly - United Way	101,781	-	101,781
State grants	170,000	-	170,000
Other grants	21,084	-	21,084
Program service fees	369,384	-	369,384
Rent income	39,112	-	39,112
Miscellaneous	10,266	-	10,266
Net Assets released from restrictions	1,000	(1,000)	-
Total Support and Revenue	788,092	(800)	787,292
Expenses:			
Program services	641,855	-	641,855
Supporting services	182,207	-	182,207
Unrelated rental	41,492	-	41,492
Total Expenses	865,554	-	865,554
Change in net assets	(77,462)	(800)	(78,262)
Net assets July 1, 2006	1,557,184	4,122	1,561,306
Net assets June 30, 2007	$ 1,479,722	$ 3,322	$ 1,483,044

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, 2007

	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	$ 46,065	$ 10,543	$ 101,132	$ -	$ 57,523	$ 215,263	$ 74,427	$ 17,112	$ 91,539	$ -	306,802
Payroll taxes and health insurance	2,135	1,211	15,710	-	6,767	25,823	10,675	-	10,675	-	36,498
Pension	462	385	7,821	-	3,167	11,835	9,877	-	9,877	-	21,712
Telephone	804	213	6,962	-	2,298	10,277	1,624	-	1,624	-	11,901
Postage and mailing	618	219	1,116	233	883	3,069	1,024	1,106	2,130	-	5,199
Computer related	1,384	133	3,870	-	1,667	7,054	663	133	796	66	7,916
Conferences and workshops	270	-	118	-	(14)	374	1,529	-	1,529	-	1,903
Books, subscriptions, and dues	32	-	992	-	90	1,114	1,784	193	1,977	-	3,091
Insurance	1,485	868	6,262	340	8,647	17,602	2,539	403	2,942	1,457	22,001
Utilities	880	880	3,208	880	3,135	8,983	3,641	-	3,641	5,570	18,194
Janitorial and grounds	260	260	780	345	1,334	2,979	1,754	-	1,754	6,734	11,467
Maintenance and repair	534	514	1,583	514	3,040	6,185	2,433	13	2,446	3,209	11,840
Equipment rental	193	180	803	1,186	900	3,262	725	106	831	523	4,616
Supplies	551	522	2,210	528	1,997	5,808	2,776	412	3,188	658	9,654
Taxes	-	-	-	-	-	-	-	-	-	8,592	8,592
Advertising and public relations	3,622	5,576	11,226	250	8,437	29,111	4,075	11,172	15,247	-	44,358
Professional fees - interpreters	-	-	224,529	-	-	224,529	-	-	-	-	224,529
Professional fees - other	1,637	382	9,487	-	4,630	16,136	1,636	371	2,007	164	18,307
Travel	660	18	3,306	-	722	4,706	177	-	177	-	4,883
Vehicle expense	-	-	-	-	3,174	3,174	-	-	-	-	3,174
Youth activities	-	-	-	-	9,497	9,497	-	-	-	-	9,497
Class expenses and gifts	-	1,759	20	-	-	1,779	534	-	534	-	2,313
Fundraising expenses	-	-	-	-	-	-	-	11,807	11,807	-	11,807
Educational awareness	-	1,119	-	-	-	1,119	-	-	-	-	1,119
Bad debt	-	-	-	-	-	-	1,559	-	1,559	-	1,559
Miscellaneous	529	158	1,218	264	2,555	4,724	3,960	-	3,960	-	8,684
Loss on disposal of equipment	-	-	-	-	-	-	4,708	-	4,708	-	4,708
Depreciation	3,254	2,420	7,259	2,420	12,099	27,452	7,259	-	7,259	14,519	49,230
Total Expenses	$ 65,375	$ 27,360	$ 409,612	$ 6,960	$ 132,548	$ 641,855	$ 139,379	$ 42,828	$ 182,207	$ 41,492	$ 865,554

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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	$	(78,262)
Depreciation		49,230
(Increase) decrease in:		
Accounts receivable		(18,955)
Prepaid expenses		3,550
Market value of investments		(768)
Increase (decrease) in:		
Accounts payable		9,110
Net Cash Provided by Operating Activities		(36,095)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital assets acquired		(28,990)
Book value of disposed assets		4,707
Net Cash Used by Investing Activities		(24,283)
Net Increase in Cash		(60,378)
Cash, July 1, 2006		201,729
Cash, June 30, 2007	$	141,351

The accompanying notes are an integral part of this statement

LEAGUE FOR THE DEAF & HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The 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 federal financial assistance, service fees, and donor contributions. Approximately 22% 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.

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.

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	$	46,832
Loans for hearing aides		4,644
United Way allocations		7,102
Less: allowance for uncollectible accounts		(3,880)
Accounts receivable, net	$	54,698

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 oustanding balances.

5. INVESTMENTS

Investments are comprised of marketable securities that are stated at estimated fair value and are summarized as follows as of June 30, 2007:

	Cost	Estimated Fair Value
Marketable Securities	$ 1,338	$ 5,070

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, 2007 is as follows:

Land	$ 479,354
Building	766,963
Building Improvements	320,374
Furniture and Equipment	140,461
Vehicles	35,744
	1,742,896
Less: accumulated depreciation	(454,820)
Land, Building and Equipment	$ 1,288,076

Depreciation expense was $49,230 for the fiscal year ended June 30, 2007.

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 the plan was $21,712 for the year ended June 30, 2007.

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, 2007, 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.