

*Financial Statements
Year Ended
June 30, 2006*

ICON Community Services, Inc.

Goodman
& COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

ICON Community Services, Inc.

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Report of Independent Auditors

Board of Directors
ICON Community Services, Inc.

We have audited the accompanying statement of financial position of *ICON Community Services, Inc.* as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of *ICON Community Services, Inc.* Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from *ICON Community Services, Inc.*'s 2005 financial statements and, in our report dated September 9, 2005, we expressed an unqualified opinion on those statements.

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 *ICON Community Services, Inc.* as of June 30, 2006, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Goodman & Company, L.L.P.

McLean, Virginia
September 7, 2006

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ICON Community Services, Inc.

Statement of Financial Position

June 30, 2006, with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 382,050	\$ 78,858
Certificate of deposit	8,459	8,246
Accounts receivable	154,674	277,753
Prepaid expenses	3,872	4,545
Total current assets	<u>549,055</u>	<u>420,202</u>
Property and equipment		
Furniture and equipment	117,157	117,157
Leasehold improvements	25,862	25,862
	<u>143,019</u>	<u>143,019</u>
Less - accumulated depreciation and amortization	(109,068)	(98,357)
Total property and equipment - net	<u>33,951</u>	<u>44,662</u>
Other assets		
Security deposit	3,360	3,360
	<u>\$ 586,366</u>	<u>\$ 417,424</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 29,572	\$ 7,386
Accrued payroll and payroll taxes	19,857	51,370
Accrued vacation	16,333	16,587
Deferred rent and lease incentives	37,260	38,882
Total current liabilities	<u>103,022</u>	<u>114,225</u>
Net assets		
Unrestricted		
Undesignated	281,179	272,315
Board designated	-	3,064
Total unrestricted	<u>281,179</u>	<u>275,379</u>
Temporarily restricted	202,165	27,820
Total net assets	<u>483,344</u>	<u>303,199</u>
	<u>\$ 586,366</u>	<u>\$ 417,424</u>

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

ICON Community Services, Inc.

Statement of Activities

Year Ended June 30, 2006, with Comparative Totals for 2005

	Unrestricted		Temporarily Restricted	2006	2005
	Undesignated	Designated			
Revenue and support					
Service fees					
Community Services Boards	\$ 1,074,291	\$ -	\$ -	\$ 1,074,291	\$ 1,067,119
Department of Rehabilitative Services	243,110	-	-	243,110	182,523
Other service fees	141,314	-	-	141,314	170,566
ECSCE grant	-	-	-	-	26,248
BIA-NIDRR grant	-	-	-	-	9,156
Technical assistance, seminars and consultations	6,856	-	-	6,856	9,084
Contributions	2,354	-	204,933	207,287	12,320
Interest income	2,283	-	-	2,283	791
Net assets released from restrictions:					
Satisfaction of restrictions	30,588	-	(30,588)	-	-
Total revenue and support	1,500,796	-	174,345	1,675,141	1,477,807
Expenses (see schedule)					
Program services					
Individual employment services	725,232	-	-	725,232	710,623
Community living services	531,120	-	-	531,120	550,964
Group employment services	73,458	-	-	73,458	61,432
ECSCE grant	-	-	-	-	28,221
BIA-NIDRR grant	-	-	-	-	9,156
Technical assistance, seminars and consultations	5,665	-	-	5,665	873
Speaker fund	-	-	-	-	200
AccuTek extension project	19,026	3,064	-	22,090	3,936
Management and general	137,431	-	-	137,431	147,832
Total expenses	1,491,932	3,064	-	1,494,996	1,513,237
Change in net assets	8,864	(3,064)	174,345	180,145	(35,430)
Net assets - beginning of year	272,315	3,064	27,820	303,199	338,629
Net assets - end of year	\$ 281,179	\$ -	\$ 202,165	\$ 483,344	\$ 303,199

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

ICON Community Services, Inc.
Schedule of Functional Expenses

Year Ended June 30, 2006, with Comparative Totals for 2005

	Program Services							Management and General	2006 Expenses	2005 Expenses
	Individual Employment Services	Community Living Services	Group Employment Services	Technical Assistance, Seminars and Consultations	AccuTek Extension Project	Total Program Services				
Salaries and temporary labor	\$ 493,706	\$ 361,759	\$ 52,334	\$ 3,455	\$ 14,611	\$ 925,865	\$ 97,902	\$ 1,023,767	\$ 1,061,131	
Employee benefits	84,024	38,434	7,906	248	1,543	132,155	19,262	151,417	142,018	
Payroll taxes	39,951	30,472	4,096	268	-	74,787	7,492	82,279	87,147	
Audit	-	-	-	-	-	-	8,200	8,200	7,800	
Business property taxes	847	672	80	-	-	1,599	-	1,599	1,413	
CARF accreditation	4,725	-	1,181	-	-	5,906	-	5,906	50	
Conferences and training	5,332	2,121	165	9	1,209	8,836	-	8,836	6,145	
Community access	102	357	-	-	35	494	-	494	269	
CSB consumer expenses	-	3,910	-	-	-	3,910	-	3,910	1,276	
Consumer services	2,189	5,462	-	-	-	7,651	-	7,651	6,221	
Amortization	1,370	1,087	128	-	-	2,585	-	2,585	2,586	
Depreciation	4,305	3,417	404	-	-	8,126	-	8,126	8,359	
Dues	2,516	2,014	268	-	-	4,798	-	4,798	4,944	
Equipment and software maintenance	1,821	1,484	171	-	-	3,476	183	3,659	3,515	
Fees	560	620	40	-	59	1,279	-	1,279	1,348	
Insurance	3,730	2,961	351	-	-	7,042	-	7,042	10,838	
Office supplies	6,327	5,069	540	480	396	12,812	818	13,630	16,924	
Parking	1,072	982	105	-	-	2,159	-	2,159	2,160	
Payroll service	2,664	2,792	337	7	-	5,800	-	5,800	-	
Postage and shipping	1,037	849	91	-	-	1,977	61	2,038	2,175	
Printing and duplicating	1,378	1,104	136	-	-	2,618	110	2,728.00	-	
Professional fees	8,622	-	2,055	-	-	10,677	1,050	11,727	5,944	
Promotion	3,258	2,109	260	1,007	-	6,634	-	6,634	6,705	
Recruitment	225	580	-	-	-	805	-	805	170	
Rent	21,487	17,363	2,019	-	-	40,869	2,068	42,937	43,412	
Site modification	30	-	-	-	-	30	-	30	206	
Speaking engagements	-	-	-	-	-	-	-	-	200	
Subscriptions and publications	364	165	49	-	467	1,045	-	1,045	521	
Telephone and internet	6,641	6,787	510	-	14	13,952	285	14,237	14,482	
Training	-	-	-	-	750	750	-	750	-	
Travel	26,949	38,550	232	192	3,006	68,929	-	68,929	75,278	
Totals	\$ 725,232	\$ 531,120	\$ 73,458	\$ 5,665	\$ 22,090	\$ 1,357,565	\$ 137,431	\$ 1,494,996	\$ 1,513,237	

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

ICON Community Services, Inc.

Statement of Cash Flows

Year Ended June 30, 2006, with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 180,145	\$ (35,430)
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	10,711	10,945
Change in:		
Accounts receivable, prepaid expenses and other assets	123,752	(76,463)
Accounts payable and accrued expenses	(9,581)	(16,876)
Deferred rent and lease incentives	(1,622)	(370)
Net cash from operating activities	<u>303,405</u>	<u>(60,644)</u>
Cash flows from investing activities		
Investment in certificate of deposit	(213)	(152)
Purchase of property and equipment	-	(9,110)
Net cash from investing activities	<u>(213)</u>	<u>(12,522)</u>
Net change in cash and cash equivalents	303,192	(127,456)
Cash and cash equivalents - beginning of year	<u>78,858</u>	<u>206,314</u>
Cash and cash equivalents - end of year	<u>\$ 382,050</u>	<u>\$ 78,858</u>

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

ICON Community Services, Inc.

Notes to Financial Statements

June 30, 2006

1. Organization and Nature of Activities

ICON Community Services, Inc. (Organization), a tax-exempt charitable organization as defined in Section 501(c)(3) of the Internal Revenue Code (Code), serves to broaden public awareness and improve access to opportunities in the community for people who have historically been excluded because of disability. The Organization derives the majority of its revenue from services rendered to local government agencies. Under Section 170 of the Code, contributions to the Organization qualify as charitable deductions for tax purposes by the donor. The Organization prepares its financial statements using the accrual basis of accounting.

2. Summary of Significant Accounting Policies

Contributions and Basis of Presentation

The Organization receives contributions from the general public. Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use. The Organization also receives contributed services in various capacities from volunteers to help accomplish its program objectives. The estimated value of donated, non-professional services are not reflected in the statements as these services do not meet the criteria for recognition as contributed. During 2006, the Organization received contributed professional services meeting the requirements for recognition in the financial statements. Legal services were provided regarding personnel issues. The fair value of these contributed services was \$1,050 and is recognized as a contribution and expense by the Organization for 2006.

The Organization records the value of donated goods when there is an estimated value greater than \$100.

The Organization classifies its resources for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. The financial statements report separately by class of net assets as follows:

Unrestricted net assets include revenue and expenses associated with the principal mission of the Organization that are not restricted by donor stipulation. Unrestricted net assets include designated net assets set aside by the Board of Directors for the funding of special programs.

Temporarily restricted net assets are grants or gifts which have been stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor 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. Temporarily restricted net assets totaled \$202,165 at June 30, 2006 (see Note 7).

Permanently restricted net assets include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income is available for program operations in accordance with donor restriction. The Organization has no permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the Organization considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents.

Certificate of Deposit

The Organization reports its investments at fair value in the statement of financial position. Gains and losses, both realized and unrealized, are included in the statement of activities as changes in unrestricted net assets.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over the estimated useful service lives ranging from five to thirty-one and a half years using the straight-line method.

The Organization capitalizes property and equipment acquired with a value in excess of \$500. When the assets are sold or disposed of, the cost and corresponding accumulated depreciation are removed from the accounts with any gain or loss reflected in operations. Expenditures for maintenance and repairs are expensed as incurred.

Accounts Receivable

Accounts receivable represents amounts due primarily from local government agencies and other customers for services rendered by the Organization. The Organization classifies all accounts receivable as current assets, and provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on credit evaluation and specific circumstances of the parties involved. At June 30, 2006, management's assessment was that all accounts receivable were determined to be collectible. There was no bad debt expense for 2006.

Promises to Give

Unconditional promises to give (pledges) are recognized as revenue or gains in the period received and as assets and decreases of liabilities or expenses depending upon the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

During 2006, unconditional promises to give were not material to the Organization's activities and were accounted for as revenues when received.

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.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code on income other than unrelated business income. No provision for federal income taxes was required at June 30, 2006, since the Organization had no net unrelated business income.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash invested at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) coverage and accounts receivable.

Bank deposit accounts exceeded federally insured limits by \$284,677 at June 30, 2006. The Organization has not experienced any losses as a result of the concentration, and management believes it is not exposed to any significant credit risk.

Economic Dependency

The Organization receives a significant portion of its support from local government agencies. Reductions in this support could have a significant impact on its operations.

3. Investment in Certificate of Deposit

The Organization's investment in certificate of deposit consisted of the following at June 30, 2006:

Certificate of deposit, 3.75%, due 10/19/06	<u>\$ 8,459</u>
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4. Lease and Other Commitments

The Organization occupies office space in Alexandria, Virginia, under a lease that expires May 31, 2012. The terms of the lease include various incentives as well as fixed escalation clauses, which are being amortized on a straight-line basis over the term of the lease. The cumulative difference between actual cash payments for rent and the amortized amount at June 30, 2006, is shown as deferred rent and lease incentives in the accompanying financial statements.

The Organization has a month-to-month lease arrangement with a storage facility with a monthly fee of \$131.

Future minimum lease commitments under noncancelable operating leases at June 30, 2006, are as follows:

2007	\$	44,275
2008		45,604
2009		46,972
2010		48,381
2011		49,832
Thereafter		<u>87,499</u>
	\$	<u>322,563</u>

Rent expenses totaled \$42,937 for 2006.

5. Concentration

The Organization receives a substantial portion of service fees from local community services boards under contracts that are renewed annually. For 2006, the revenue attributable to these contracts, totaled \$1,074,291 (64.17% of total revenue). At June 30, 2006, accounts receivable from these governmental agencies totaled \$150,457.

6. AccuTek Extension Project

The Organization is the termination beneficiary of the net assets of another nonprofit organization. Contributions totaling \$199,613 were received during 2006 and are restricted for funding the community-based AccuTek extension project.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2006 were available to fund the following programs:

AccuTek Extension Project	\$	180,586
Consumer Emergency Expense Fund		19,892
Discretionary Service Fund		593
Speakers Fund		<u>1,094</u>
	\$	<u>202,165</u>

8. Line of Credit

The Organization currently has an unsecured line of credit, dated October 1, 2005, of up to \$50,000 that expires on October 1, 2006. Interest is due monthly on any open balance based upon the prime rate plus 1% with a stipulated minimum rate of 4.5% and maximum rate allowed by law. There was no outstanding balance on the line of credit at June 30, 2006.

9. Contingencies

Revenue from state and local government contracts is subject to audit under terms of the contracts. The Organization does not have any contracts currently under audit by the agencies. Management believes that no significant liability will result from future audit adjustments, if any.

10. Comparative Totals

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for 2005, from which the summarized information was derived.

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