

Financial Statements
Year Ended
June 30, 2007

ICON Community Services, Inc.



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, 2007, 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 2006 financial statements and, in our report dated September 7, 2006, 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, 2007, 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.

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September 24, 2007

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ICON Community Services, Inc.

Statement of Financial Position

June 30, 2007, with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 331,794	\$ 382,050
Certificate of deposit	8,913	8,459
Accounts receivable	121,475	154,674
Prepaid expenses	7,679	3,872
Total current assets	<u>469,861</u>	<u>549,055</u>
Property and equipment		
Furniture and equipment	119,220	117,157
Leasehold improvements	25,862	25,862
	<u>145,082</u>	<u>143,019</u>
Less - accumulated depreciation and amortization	(118,890)	(109,068)
Total property and equipment - net	<u>26,192</u>	<u>33,951</u>
Other assets		
Security deposit	3,360	3,360
	<u>\$ 499,413</u>	<u>\$ 586,366</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 27,144	\$ 29,572
Accrued payroll and payroll taxes	18,399	19,857
Accrued vacation	14,528	16,333
Total current liabilities	<u>60,071</u>	<u>65,762</u>
Long-term liabilities		
Deferred rent and lease incentives	34,349	37,260
Total liabilities	<u>94,420</u>	<u>103,022</u>
Net assets		
Unrestricted	245,994	281,179
Temporarily restricted	158,999	202,165
Total net assets	<u>404,993</u>	<u>483,344</u>
	<u>\$ 499,413</u>	<u>\$ 586,366</u>

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

ICON Community Services, Inc.

Statement of Activities

Year Ended June 30, 2007, with Comparative Totals for 2006

	Undesignated	Temporarily Restricted	2007	2006
Revenue and support				
Service fees				
Community Services Boards	\$ 898,396	\$ -	\$ 898,396	\$ 1,074,291
Department of Rehabilitative Services	249,060	-	249,060	243,110
Other service fees	146,977	-	146,977	141,314
Technical assistance, seminars and consultations	2,750	-	2,750	6,856
Contributions	6,662	4,243	10,905	207,287
Interest income	2,976	-	2,976	2,283
Net assets released from restrictions:				
Satisfaction of restrictions	47,409	(47,409)	-	-
Total revenue and support	1,354,230	(43,166)	1,311,064	1,675,141
Expenses (see schedule)				
Program services				
Individual employment services	678,913	-	678,913	725,232
Community living services	457,680	-	457,680	531,120
Group employment services	75,844	-	75,844	73,458
Technical assistance, seminars and consultations	1,448	-	1,448	5,665
AccuTek extension project	41,884	-	41,884	22,090
Management and general	133,646	-	133,646	137,431
Total expenses	1,389,415	-	1,389,415	1,494,996
Change in net assets	(35,185)	(43,166)	(78,351)	180,145
Net assets - beginning of year	281,179	202,165	483,344	303,199
Net assets - end of year	\$ 245,994	\$ 158,999	\$ 404,993	\$ 483,344

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

ICON Community Services, Inc.
Schedule of Functional Expenses

Year Ended June 30, 2007, with Comparative Totals for 2006

	Program Services							Management and General	2007 Expenses	2006 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	\$ 464,862	\$ 303,986	\$ 53,774	\$ 1,290	\$ 28,020	\$ 851,932	\$ 96,907	\$ 948,839	\$ 1,023,767	
Employee benefits	72,422	35,740	7,836	63	312	116,373	17,225	133,598	151,417	
Payroll taxes	35,339	24,290	4,066	95	2,241	66,031	7,414	73,445	82,279	
Audit	-	-	-	-	169	169,000	8,431	8,600	8,200	
Business property taxes	679	539	64	-	-	1,282	-	1,282	1,599	
CARF accreditation	-	-	-	-	-	-	-	-	5,906	
Conferences	4,132	1,710	218	-	989	7,049	-	7,049	8,836	
Community access	43	1,026	-	-	28	1,097	-	1,097	494	
CSB consumer expenses	-	7,024	-	-	-	7,024	-	7,024	3,910	
Consumer services	3,280	302	-	-	-	3,582	-	3,582	7,651	
Amortization	1,308	1,145	133	-	-	2,586	-	2,586	2,585	
Depreciation	3,658	3,206	373	-	-	7,237	-	7,237	8,126	
Dues	2,714	2,548	278	-	-	5,540	-	5,540	4,798	
Equipment and software maintenance	1,114	950	108	-	-	2,172	114	2,286	3,659	
Fees	4,205	4,185	438	-	-	8,828	-	8,828	1,279	
Insurance	3,606	3,172	369	-	-	7,147	-	7,147	7,042	
Office supplies	6,953	5,932	663	-	618	14,166	865	15,031	13,630	
Parking	1,068	980	110	-	-	2,158	-	2,158	2,159	
Payroll service	3,073	3,035	317	-	-	6,425	-	6,425	5,800	
Postage and shipping	1,086	957	102	-	-	2,145	66	2,211	2,038	
Printing and duplicating	404	1,630	36	-	-	2,070	86	2,156.00	2,728	
Professional fees	12,770	2,752	3,143	-	-	18,665	-	18,665	11,727	
Promotion	4,562	3,700	437	-	-	8,699	-	8,699	6,634	
Recruitment	628	585	107	-	-	1,320	-	1,320	805	
Rent	21,786	19,248	2,198	-	-	43,232	2,275	45,507	42,937	
Site modification	185	147	17	-	-	349	-	349	30	
Subscriptions and publications	307	161	298	-	115	881	-	881	1,045	
Telephone and internet	6,004	6,357	465	-	-	12,826	263	13,089	14,237	
Training	-	-	-	-	7,130	7,130	-	7,130	750	
Travel	22,725	22,373	294	-	2,262	47,654	-	47,654	68,929	
Totals	\$ 678,913	\$ 457,680	\$ 75,844	\$ 1,448	\$ 41,884	\$ 1,255,769	\$ 133,646	\$ 1,389,415	\$ 1,494,996	

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

ICON Community Services, Inc.

Statement of Cash Flows

Year Ended June 30, 2007, with Comparative Totals for 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ (78,351)	\$ 180,145
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	9,823	10,711
Change in:		
Accounts receivable, prepaid expenses and other assets	29,392	123,752
Accounts payable and accrued expenses	(5,691)	(9,581)
Deferred rent and lease incentives	(2,911)	(1,622)
Net cash from operating activities	<u>(47,738)</u>	<u>303,405</u>
Cash flows from investing activities		
Investment in certificate of deposit	(454)	(213)
Purchase of property and equipment	(2,063)	-
Net cash from investing activities	<u>(2,517)</u>	<u>(213)</u>
Net change in cash and cash equivalents	(50,255)	303,192
Cash and cash equivalents - beginning of year	<u>382,050</u>	<u>78,858</u>
Cash and cash equivalents - end of year	<u>\$ 331,794</u>	<u>\$ 382,050</u>

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

ICON Community Services, Inc.

Notes to Financial Statements

June 30, 2007

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, nonprofessional services are not reflected in the statements as these services do not meet the criteria for recognition as contributed.

The Organization records the value of donated goods when there is an estimated value greater than \$200.

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 \$158,999 at June 30, 2007 (see Note 6).

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 the statement of cash flows, the Organization considers all highly liquid investments with an original maturity 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 change in net assets. Investment earnings are included as a component of investment income.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded at fair value and recognized as contribution income. Property and equipment are depreciated over the estimated useful service lives ranging from five to ten 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, 2007, management's assessment was that all outstanding balances were determined to be collectible. There was no bad debt expense for 2007.

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 2007, 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 Taxes

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, 2007, since the Organization had no taxable 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 \$236,059 at June 30, 2007. 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.

Reclassification

Certain amounts from the 2006 financial statements have been reclassified to conform with the current year presentation.

3. Investment in Certificate of Deposit

The Organization's investment in a certificate of deposit consisted of the following at June 30, 2007:

Certificate of deposit, 4.91%, due 10/19/07	<u>\$ 8,913</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, 2007, 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 are as follows for the years ending June 30:

2008	\$	45,604
2009		46,972
2010		48,381
2011		49,832
2012		<u>46,885</u>
	\$	<u>237,674</u>

Rental expense totaled \$45,507 for 2007.

5. Concentration

The Organization receives a substantial portion of service fees from local community services boards under contracts that are renewed annually. For 2007, the revenue attributable to these contracts, totaled \$898,396 (68.52% of total revenue). At June 30, 2007, accounts receivable from these governmental agencies totaled \$115,909.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available to the following programs at June 30, 2007:

AccuTek Extension Project	\$	138,703
Consumer Emergency Expense Fund		14,368
Discretionary Service Fund		4,834
Speakers Fund		<u>1,094</u>
	\$	<u>158,999</u>

7. Line of Credit

The Organization had an unsecured line of credit, dated October 1, 2005, of up to \$50,000 that expired on October 24, 2006 and was not renewed. Interest was 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 interest expense for 2007.

8. 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.

9. 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 2006, from which the summarized information was derived.

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