

THE INTERNATIONAL CENTER

Financial Statements and Independent Auditor's Report

December 31, 2006 and 2005

**DENBURG & LOW, PA
Certified Public Accountants
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The International Center

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The International Center

We have audited the accompanying statements of financial position and cash flows of The International Center (a non-profit organization) as of and for the years ended December 31, 2006 and 2005, and the related statements of activities and functional expenses for the year ended December 31, 2006. These financial statements are the responsibility of the Center'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. 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 and cash flows of The International Center as of December 31, 2006 and 2005, and the changes in its net assets for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
August 9, 2007

STATEMENTS OF FINANCIAL POSITION

The International Center

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 38,697	\$ 183,493
Investments (Note C)	-	51,558
Accounts receivable and advances	148,704	153,649
Grant receivable (Note D)	-	100,000
Prepaid expenses	4,053	6,106
Land, building, and equipment (Note F)	633,887	653,139
Deposits	1,107	1,107
Unamortized loan and lease costs	<u>32,949</u>	<u>38,784</u>
Total assets	<u><u>\$ 859,397</u></u>	<u><u>\$ 1,187,836</u></u>
LIABILITIES		
Accounts payable	\$ 130,218	\$ 83,597
Accrued expenses	19,285	14,611
Deferred revenue (Note J)	8,878	7,500
Note payable (Note H)	60,000	50,000
Long-term debt (Note H and I)	<u>942,048</u>	<u>839,319</u>
Total liabilities	<u>1,160,429</u>	<u>995,027</u>
COMMITMENTS (Note J)		
NET ASSETS		
Unrestricted	(303,532)	(266,424)
Temporarily restricted (Note E)	<u>2,500</u>	<u>459,233</u>
Total net assets	<u>(301,032)</u>	<u>192,809</u>
Total liabilities and net assets	<u><u>\$ 859,397</u></u>	<u><u>\$ 1,187,836</u></u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF ACTIVITIES

The International Center

For the Year Ended December 31, 2006 with Comparative Totals for 2005

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and support:				
Contributions	\$ -	\$ 401,588	\$ 401,588	\$ 390,882
Contracts and grants	377,548	388,593	766,141	760,166
Foundation support	-	69,750	69,750	581,970
Other revenue	4,500	-	4,500	-
Net rental income (after direct expenses of \$38,312) (Note J)	10,037	-	10,037	10,368
Net investment income	5,031	-	5,031	3,853
Net assets released from satisfaction of program restrictions (Note E)	1,316,664	(1,316,664)	-	-
Total revenues and support	1,713,780	(456,733)	1,257,047	1,747,239
Expenses:				
General Program	14,451	-	14,451	13,640
New Forest Program	152,928	-	152,928	195,452
Vietnam Program	1,015,575	-	1,015,575	952,583
Administration	314,631	-	314,631	323,401
Fund raising	253,303	-	253,303	174,155
Total expenses	1,750,888	-	1,750,888	1,659,231
Changes in net assets	(37,108)	(456,733)	(493,841)	88,008
Net assets - Beginning of year	(266,424)	459,233	192,809	104,801
Net assets - End of year	\$ (303,532)	\$ 2,500	\$ (301,032)	\$ 192,809

The accompanying notes are an integral part of these financial statements

STATEMENT OF FUNCTIONAL EXPENSES

The International Center

For the Year Ended December 31, 2006 with Comparative Totals for 2005

	2006					2005		
	General Program	New Forest Program	Vietnam Program	Total Program Services	Administration	Fund Raising	Total Program & Supporting Services	Total Program & Supporting Services
Expenses								
Conferences and meetings	1,299	409	14,183	15,891	-	-	15,891	45,853
Consulting fees	-	-	4,000	4,000	-	-	4,000	4,532
Delegation	-	-	109,996	109,996	-	-	109,996	211,532
Depreciation and amortization	-	-	-	-	22,688	-	22,688	26,584
Direct mail	-	-	-	-	-	249,747	249,747	168,106
Employee fringe benefits	1,196	20,333	127,527	149,056	16,171	-	165,227	132,593
Entertainment	1,544	710	2,081	4,335	702	-	5,037	4,349
Insurance	-	-	-	-	5,613	-	5,613	3,694
Interest	-	-	-	-	53,359	-	53,359	42,008
Miscellaneous	-	-	-	-	7,201	-	7,201	10,455
Office supplies and expense	5	3,144	1,784	4,933	2,729	-	7,662	4,589
Postage and delivery	107	5,906	400	6,413	1,283	436	8,132	6,166
Printing and copying	-	138	650	788	79	-	867	4,469
Professional fees	2,390	4,564	34,525	41,479	56,143	3,120	100,742	136,932
Project field expense	-	17,476	101,253	118,729	-	-	118,729	141,816
Publication expense	-	-	4,199	4,199	-	-	4,199	-
Reference materials	319	267	882	1,468	551	-	2,019	3,453
Rent	-	-	-	-	9,074	-	9,074	9,669
Repairs and maintenance	-	-	-	-	29,049	-	29,049	29,980
Salaries and wages	5,068	86,137	540,253	631,458	68,508	-	699,966	567,346
Taxes	-	-	-	-	10,004	-	10,004	8,531
Telephone	52	4,516	8,377	12,945	16,471	-	29,416	30,057
Travel-domestic	2,471	1,628	19,930	24,029	227	-	24,256	10,196
Travel-international	-	7,700	45,535	53,235	5,091	-	58,326	47,299
Utilities	-	-	-	-	9,688	-	9,688	9,022
	<u>\$ 14,451</u>	<u>\$ 152,928</u>	<u>\$ 1,015,575</u>	<u>\$ 1,182,954</u>	<u>\$ 314,631</u>	<u>\$ 253,303</u>	<u>\$ 1,750,888</u>	<u>\$ 1,659,231</u>

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

The International Center

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ (493,841)	\$ 88,008
Adjustments to reconcile change in net cash used by operating activities:		
Depreciation and amortization	34,734	38,600
Realized and unrealized gain on investments	(3,373)	(1,350)
Donated property	(98,700)	(63,089)
(Increase) decrease in receivables	107,290	(196,442)
(Increase) decrease in prepaid expenses	2,053	(4,060)
Increase (decrease) in accounts payable and accrued expenses	51,295	(71,234)
Decrease in grant payable	-	(369,637)
Increase (decrease) in deferred revenue	1,378	(4,307)
Net cash used by operations	<u>(399,164)</u>	<u>(583,511)</u>
Cash flows from investing activities		
Purchase of property, equipment and improvements	(4,875)	(1,740)
Sale of investments	148,859	29,689
Net cash provided by investing activities	<u>143,984</u>	<u>27,949</u>
Cash flows from financing activities		
(Increase) decrease in employee and other advances	(2,345)	923
Decrease in payroll taxes payable	-	(6,561)
Increase in notes payable	10,000	50,000
Increase in long-term debt	102,729	174,906
Net cash provided by financing activities	<u>110,384</u>	<u>219,268</u>
Net decrease in cash	(144,796)	(336,294)
Cash balance - beginning of the year	<u>183,493</u>	<u>519,787</u>
Cash balance - end of the year	<u>\$ 38,697</u>	<u>\$ 183,493</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash payments for interest	<u>\$ 63,155</u>	<u>\$ 52,938</u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

The International Center
December 31, 2006 and 2005

NOTE A - ORGANIZATION

The International Center is a District of Columbia non-profit corporation whose activities include gathering and disseminating information related to developing countries. Through the Vietnam Program it provides a vehicle for disseminating information about international commercial law and trade policy for a developing country. Through the New Forest Program it provides a means of reforestation in areas devastated by over-cutting. The Center was incorporated under the laws of the District of Columbia on May 4, 1977.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center have been prepared on the accrual basis. A summary follows of the Center's significant accounting policies consistently applied in the preparation of the accompanying financial statements.

1. Audit procedures

This audit was performed in accordance with the guidelines included in "Audits of Certain Non-Profit Organizations" issued by the American Institute of Certified Public Accountants.

2. Promises to give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Center has not received any permanently restricted net assets.

3. Financial Statement Presentation

The Center follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Center 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.

4. Contributions

The Center follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

NOTES TO THE FINANCIAL STATEMENTS

The International Center
December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Fixed assets

Land, buildings, and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Asset lives range from 4 to 40 years.

6. Non-cash contributions and donated services

Non-cash contributions are recorded at fair market value on the date of donation to the extent they are susceptible to measurement or valuation.

The services of volunteers are valued and recorded as donated services to the extent they require specialized skills, and would typically need to be purchased if not provided by donation. No volunteer services were recorded in 2006 or 2005.

During the year ended December 31, 2005 the Center received in-kind contributions related to the New Forest program in the amount of \$8,299. The contributions included chemicals and a computer used in the program.

7. Deferred revenue

Revenue received from contracts that have not yet been expended for its designated purpose is recorded as deferred revenue (see Note J).

8. Income taxes

The Center is exempt from federal taxation under Section 501(c) (3) of the Internal Revenue Code and is not a private foundation. The Center is also exempt from DC Corporate Franchise Tax.

9. 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.

10. Statements of cash flows

For the purpose of reporting cash flows, cash consists of cash on hand, in banks, and in money market funds.

NOTES TO THE FINANCIAL STATEMENTS

The International Center
December 31, 2006 and 2005

NOTE C – INVESTMENTS

The Center's investment in marketable securities is reported at fair market value at December 31, 2005 and includes \$51,558 in corporate stock with a cost of \$43,305 and unrealized gain of \$8,253.

NOTE D – GRANT RECEIVABLE

The Center has a grant receivable at December 31, 2005 in the face amount of \$100,000. The grant proceeds were received in full subsequent to the end of the year therefore there is no provision for uncollectible grants.

NOTE E - RESTRICTIONS ON NET ASSETS

The restriction on net assets at December 31, 2006 and 2005 relate to funds raised through the Vietnam program and is restricted to use in that program. At December 31, 2006, temporarily restricted net assets in the amount of \$2,500 were available for use in the Vietnam program. At December 31, 2005, temporarily restricted net assets in the amount of \$459,233 were available for use in the Vietnam program.

NOTE F - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Land	\$ 118,905	\$ 118,905
Building	743,575	743,575
Furniture, fixtures and equipment	<u>108,092</u>	<u>103,563</u>
	970,572	966,043
Accumulated depreciation	<u>336,685</u>	<u>312,904</u>
	<u>\$ 633,887</u>	<u>\$ 653,139</u>

NOTES TO THE FINANCIAL STATEMENTS

The International Center
December 31, 2006 and 2005

NOTE G – CONCENTRATION OF CREDIT RISK

The Center maintained cash balances in an uninsured money market fund, and in a bank in excess of the federally insured limit of \$100,000. The uninsured cash balances at December 31, 2006 and 2005 were \$11,466 and \$68,462, respectively.

A material part of the Center's activity is funded by a contract for services with an organization exempt under section 501 (c) (6) of the Internal Revenue Code. During the years ended December 31, 2006 and 2005 it accounted for 37% and 19% respectively of total revenues and support. It also was obligated to the Center for 22% of accounts receivable at December 31, 2005.

A material part of the Center's activity is funded by a contract for services with a single company. During the years ended December 31, 2006 and 2005 it accounted for 12% of total revenues and support in each year. It was also obligated to the Center for 21% and 18% of accounts receivable respectively at December 31, 2006 and 2005.

A material part of the Center's activity was funded by a single government agency. During the years ended December 31, 2006 and 2005 it accounted for approximately 12% and 7% respectively of total revenues and support.

NOTE H - NOTES PAYABLE

United Bank

At December 31, 2006 and 2005 the Center was obligated on a note with balances of \$616,210 and \$636,475 respectively. The note is secured by property located 731 8th Street, SE, Washington, DC. The interest rate at December 31, 2006 is 6% with payments of \$4,869.89 per month. Any unpaid balance is due November 3, 2013.

At December 31, 2006 and 2005 the Center was obligated on a note with balances of \$323,538 and \$199,038 respectively. The note is secured by property located at 731 8th Street, SE, Washington, DC. The interest rate at December 31, 2006 is 9.25% with interest only payments due monthly. Any unpaid balance is due May 31, 2007.

Edward Rawson

At December 31, 2006 the Center was obligated on unsecured loans, due on demand, with a balance of \$60,000. The interest rate at December 31, 2006 is 5% compounded monthly with interest due monthly.

NOTES TO THE FINANCIAL STATEMENTS

The International Center
December 31, 2006 and 2005

NOTE H - NOTES PAYABLE (continued)

Maturities of long-term debt after December 31, 2006 are as follows:

2007	\$	22,068
2008		346,968
2009		24,875
2010		26,409
2011		28,038
2012 and thereafter		<u>491,390</u>
Total	\$	<u>939,748</u>

NOTE I- CAPITAL LEASES

The Center leases certain equipment under capital leases. The economic substance of these leases is that the company is financing the acquisition of the equipment through the leases and accordingly, the equipment is recorded as assets and the leases are recoded as long-term liabilities.

Following is an analysis of the leased assets included in property and equipment:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Equipment under capital leases	\$ 20,832	\$ 20,832
Less: Accumulated depreciation	<u>20,832</u>	<u>19,584</u>
	\$ <u> -</u>	\$ <u>1,248</u>

Future minimum lease payments under capital leases as of December 31, 2006 for each of the remaining years and in the aggregate are as follows:

Year ended December 31,

2007	\$	1,741
2008		<u>871</u>
Total		2,612
Less: Amount representing interest		<u>312</u>
Present value of minimum lease payments	\$	<u>2,300</u>

NOTES TO THE FINANCIAL STATEMENTS

The International Center
December 31, 2006 and 2005

NOTE J - COMMITMENTS

1. Deferred revenue

For the year ended December 31, 2006, the Center was obligated under a contract for services extending beyond the end of the year. Support of \$8,878 was not fully expended and has been reflected as deferred revenue at December 31, 2006.

For the year ended December 31, 2005, the Center was obligated under a contract for services extending beyond the end of the year. Support of \$7,500 was not fully expended and has been reflected as deferred revenue at December 31, 2005.

2. Lease obligation

On May 20, 2004 the Center entered into a long-term commercial lease agreement with an unrelated entity to rent the entire first floor of the building at 731 8th Street, SE, Washington, DC. Future minimum rental income due to the Center from the non-cancelable lease after December 31, 2006 is \$18,565. See Note O.

NOTE K - RELATED PARTY TRANSACTIONS

The Center entered into a strategic alliance with the US – ASEAN Business Council, Inc. in 2005 to provide management and project support. The Council is exempt under section 501 (c) (6) of the Internal Revenue Code. The Center charges for these services based on the time spent and received \$460,963 and \$338,686 respectively for these services in 2006 and 2005. At December 31, 2005 the Center was owed \$33,561 for these services.

NOTE L - RETIREMENT PLAN

The Center maintains a tax deferred annuity plan for its employees. The plan is authorized by Section 403 (b) of the Internal Revenue Code for organizations exempt under Section 501 (c) (3). The plan is a salary reduction type of plan. The Center also adopted a simplified employee pension plan effective for calendar year 1996. The Center expensed \$55,645 and \$49,798 related to the plan as part of employee benefits during the years ended December 31, 2006 and 2005, respectively.

NOTE M - FOREIGN OPERATIONS

The Center receives funding from the U.S. Agency for International Development that requires an active program in Vietnam. There are no foreign earnings.

NOTES TO THE FINANCIAL STATEMENTS

The International Center

December 31, 2006 and 2005

NOTE N – TRANSFER TO INTERNATIONAL ACTION

Pursuant to an October 24, 2003 agreement the Center agreed to transfer the rights to conduct a segment of the activities previously engaged in by the Center to an organization called International Action, Inc. The transfer also included cash payments that totaled \$450,000. The final payment was contingent upon International Action, Inc. obtaining its exempt status under section 501 (c) (3) of the Internal Revenue Code. That process was completed during 2005, and the balance of funds not previously distributed was paid at that time. To facilitate the transfer and assure the viability of the ongoing program, a third party exempt organization received interim payments under the agreement to continue activities outlined in the agreement. Former employees of the Center will be involved in the program, but there will be no ongoing connection between the Center and the new organization since the terms of the agreement have been completed.

NOTE O – SUBSEQUENT EVENT

On July 12, 2007 the Center sold the building and land located at 731 8th Street, SE, Washington, DC for \$2,050,000. At that time secured long-term debt in the amount of \$989,744 was repaid and the lease obligation referred to in Note J was assumed by the buyer.

SUPPLEMENTAL INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
The International Center

We have audited the financial statements of The International Center (a non-profit organization) for the year ended December 31, 2006, and have issued our report thereon dated August 9, 2007. These financial statements are the responsibility of the Center'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. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of The International Center taken as a whole. The accompanying schedule of program functional support and revenue and expenses is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Washington, DC
August 9, 2007

SCHEDULE OF PROGRAM FUNCTIONAL SUPPORT AND REVENUE AND EXPENSES

The International Center

For the Year Ended December 31, 2006 with Comparative Totals for 2005

	2006			2005	
	General Program	New Forest Program	Vietnam Program	Total	Total
Support and revenue					
Conferences	\$ 4,500	\$ -	\$ -	\$ 4,500	\$ -
Contributions	-	401,588	-	401,588	390,882
Contracts and grants	-	14,500	751,641	766,141	760,166
Foundation support	-	62,250	7,500	69,750	581,970
Net investment income	5,031	-	-	5,031	3,853
Rental and other income	48,349	-	-	48,349	48,576
	<u>57,880</u>	<u>478,338</u>	<u>759,141</u>	<u>1,295,359</u>	<u>1,785,447</u>
Expenses					
Administration	11,465	71,973	231,193	314,631	323,401
Conferences and meetings	1,299	409	14,183	15,891	44,535
Consulting fees	-	-	4,000	4,000	4,532
Delegation	-	-	109,996	109,996	211,532
Direct rental expenses	38,312	-	-	38,312	38,208
Employee fringe benefits	1,196	20,333	127,527	149,056	117,942
Entertainment	1,544	710	2,081	4,335	2,507
Fund raising	-	253,303	-	253,303	174,155
Office supplies and expense	5	3,144	1,784	4,933	3,534
Postage and delivery	107	5,906	400	6,413	4,144
Printing and copy	-	138	650	788	3,367
Professional fees	2,390	4,564	34,525	41,479	49,907
Project field expense	-	17,476	101,253	118,729	141,816
Publication expenses	-	-	4,199	4,199	-
Reference materials	319	267	882	1,468	3,068
Salaries and wages	5,068	86,137	540,253	631,458	505,286
Telephone	52	4,516	8,377	12,945	15,263
Travel-domestic	2,471	1,628	19,930	24,029	9,697
Travel-international	-	7,700	45,535	53,235	44,545
	<u>64,228</u>	<u>478,204</u>	<u>1,246,768</u>	<u>1,789,200</u>	<u>1,697,439</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (6,348)</u>	<u>\$ 134</u>	<u>\$ (487,627)</u>	<u>\$ (493,841)</u>	<u>\$ 88,008</u>

The accompanying notes are an integral part of these financial statements