

# **THE INTERNATIONAL CENTER**

**Financial Statements and Independent Auditor's Report**

**December 31, 2007 and 2006**

**DENBURG & LOW, PA  
Certified Public Accountants  
1350 Connecticut Avenue, NW, Suite 850  
Washington, DC 20036**

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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, 2007 and 2006, and the related statements of activities and functional expenses for the year ended December 31, 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.

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, 2007 and 2006, and the changes in its net assets for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Washington, DC  
May 20, 2008

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## STATEMENTS OF FINANCIAL POSITION

The International Center

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash	\$ 37,091	\$ 38,697
Accounts receivable and advances	117,427	148,704
Prepaid expenses	3,449	4,053
Land, building, and equipment (Note D)	13,964	633,887
Deposits	2,027	1,107
Unamortized loan and lease costs	-	32,949
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 173,958</u>	<u>\$ 859,397</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 57,638	\$ 149,503
Accrued income taxes	13,188	-
Deferred revenue (Note H)	-	8,878
Note payable (Note F)	50,000	60,000
Long-term debt (Note F and G)	955	942,048
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>121,781</u>	<u>1,160,429</u>
<b>COMMITMENTS (Note H )</b>		
<b>NET ASSETS</b>		
Unrestricted	52,177	(303,532)
Temporarily restricted (Note C)	-	2,500
	<u>                    </u>	<u>                    </u>
Total net assets	<u>52,177</u>	<u>(301,032)</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 173,958</u>	<u>\$ 859,397</u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF ACTIVITIES

The International Center

For the Year Ended December 31, 2007 with Comparative Totals for 2006

	2007			2006
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and support:				
Contributions	\$ -	\$ 266,254	\$ 266,254	\$ 401,588
Contracts and grants	81,105	501,696	582,801	766,141
Foundation support	-	85,450	85,450	69,750
Other revenue	-	-	-	4,500
Net rental (loss) income (after direct expenses of \$30,092) (Note H)	(3,531)	-	(3,531)	10,037
Net investment income	792	-	792	5,031
Net assets released from satisfaction of program restrictions (Note C)	855,900	(855,900)	-	-
<b>Total revenues and support</b>	<b>934,266</b>	<b>(2,500)</b>	<b>931,766</b>	<b>1,257,047</b>
Expenses:				
General Program	553,297	-	553,297	14,451
New Forest Program	192,061	-	192,061	152,928
Vietnam Program	608,564	-	608,564	1,015,575
Administration	354,969	-	354,969	314,631
Fund raising	151,776	-	151,776	253,303
<b>Total expenses</b>	<b>1,860,667</b>	<b>-</b>	<b>1,860,667</b>	<b>1,750,888</b>
Gain on sale of building	1,282,110	-	1,282,110	-
Changes in net assets	355,709	(2,500)	353,209	(493,841)
Net assets - Beginning of year	(303,532)	2,500	(301,032)	192,809
Net assets - End of year	\$ 52,177	\$ -	\$ 52,177	\$ (301,032)

The accompanying notes are an integral part of these financial statements

## STATEMENT OF FUNCTIONAL EXPENSES

The International Center

For the Year Ended December 31, 2007 with Comparative Totals for 2006

	2007					2006		
	General Program	New Forest Program	Vietnam Program	Total Program Services	Administration	Fund Raising	Total Program & Supporting Services	Total Program & Supporting Services
Expenses								
Bad debt	-	-	-	-	22,541	-	22,541	-
Conferences and meetings	1,415	540	1,260	3,215	594	-	3,809	15,891
Consulting fees	-	-	21,000	21,000	1,125	-	22,125	4,000
Delegation	-	-	222,824	222,824	-	-	222,824	109,996
Depreciation and amortization	-	-	-	-	31,956	-	31,956	22,688
Direct mail	-	-	-	-	-	145,706	145,706	249,747
Employee fringe benefits	5,085	28,144	37,992	71,221	19,132	-	90,353	165,227
Entertainment	997	844	694	2,535	858	-	3,393	5,037
Grants and allocations	519,124	-	-	519,124	-	-	519,124	-
Income tax expense	-	-	-	-	13,188	-	13,188	-
Insurance	-	-	-	-	5,416	-	5,416	5,613
Interest	-	-	-	-	41,373	-	41,373	53,359
Loss on abandonment	-	-	-	-	3,025	-	3,025	-
Miscellaneous	-	-	-	-	6,497	-	6,497	7,201
Office supplies and expense	44	3,159	1,479	4,682	2,070	-	6,752	9,681
Postage and delivery	41	3,000	405	3,446	1,202	3,015	7,663	8,132
Printing and copying	-	4,958	1,153	6,111	431	-	6,542	5,066
Professional fees	5,118	1,681	827	7,626	52,909	3,055	63,590	100,742
Project field expense	-	20,260	82,181	102,441	-	-	102,441	118,729
Rent	-	-	-	-	21,879	-	21,879	9,074
Repairs and maintenance	-	-	-	-	25,214	-	25,214	29,049
Salaries and wages	21,111	116,841	157,725	295,677	79,417	-	375,094	699,966
Taxes-other	-	-	-	-	9,276	-	9,276	10,004
Telephone	278	4,580	5,473	10,331	13,075	-	23,406	29,416
Travel-domestic	84	4,865	13,541	18,490	58	-	18,548	24,256
Travel-international	-	3,189	62,010	65,199	-	-	65,199	58,326
Utilities	-	-	-	-	3,733	-	3,733	9,688
	<u>\$ 553,297</u>	<u>\$ 192,061</u>	<u>\$ 608,564</u>	<u>\$ 1,353,922</u>	<u>\$ 354,969</u>	<u>\$ 151,776</u>	<u>\$ 1,860,667</u>	<u>\$ 1,750,888</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ 353,209	\$ (493,841)
Adjustments to reconcile change in net cash used by operating activities:		
Depreciation and amortization	44,984	34,734
Realized and unrealized gain on investments	(130)	(3,373)
Realized gain from sale of building	(1,282,110)	-
Loss on abandonment	3,025	-
Donated property	(33,772)	(98,700)
Decrease in receivables	35,107	107,290
Decrease in prepaid expenses	604	2,053
Increase (decrease) in accounts payable and accrued expenses	(78,677)	51,295
Increase in deposits	(920)	-
Increase (decrease) in deferred revenue	(8,878)	1,378
Net cash used by operations	<u>(967,558)</u>	<u>(399,164)</u>
Cash flows from investing activities		
Purchase of property, equipment and improvements	(10,500)	(4,875)
Sale of building	2,050,000	-
Expense of building sale	(152,527)	-
Sale of investments	33,902	148,859
Net cash provided by investing activities	<u>1,920,875</u>	<u>143,984</u>
Cash flows from financing activities		
Increase in employee and other advances	(3,830)	(2,345)
Increase (decrease) in notes payable	(10,000)	10,000
Increase (decrease) in long-term debt	(941,093)	102,729
Net cash provided by financing activities	<u>(954,923)</u>	<u>110,384</u>
Net decrease in cash	(1,606)	(144,796)
Cash balance - beginning of the year	<u>38,697</u>	<u>183,493</u>
Cash balance - end of the year	<u>\$ 37,091</u>	<u>\$ 38,697</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS</b>		
Cash payments for interest	<u>\$ 47,738</u>	<u>\$ 63,155</u>

The accompanying notes are an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

The International Center  
December 31, 2007 and 2006

## 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 and conducts safe drinking water programs. 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, 2007 and 2006

## 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 2007 or 2006.

### 7. Deferred revenue

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

### 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. During the year ended December 31, 2007, unrelated business income from debt-financed income activity totaled \$73,494 with income tax due in the amount of \$13,188.

### 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, 2007 and 2006

### NOTE C - RESTRICTIONS ON NET ASSETS

The restriction on net assets at December 31, 2006 relates 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.

### NOTE D - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Land	\$ -	\$ 118,905
Building	-	743,575
Furniture, fixtures and equipment	<u>47,187</u>	<u>108,092</u>
	47,187	970,572
Accumulated depreciation	<u>33,223</u>	<u>336,685</u>
	<u>\$ 13,964</u>	<u>\$ 633,887</u>

### NOTE E – CONCENTRATION OF CREDIT RISK

The Center a maintained cash balance in an uninsured money market fund. The uninsured cash balances at December 31, 2007 and 2006 were \$2,392 and \$5,976, 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, 2007 and 2006 it accounted for 5% and 37% respectively of total revenues and support.

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, 2007 and 2006 it accounted for 13% and 12% respectively of total revenues and support. It was also obligated to the Center for 10% and 21% of accounts receivable respectively at December 31, 2007 and 2006.

A material part of the Center's activity was funded by a single government agency. During the years ended December 31, 2007 and 2006 it accounted for approximately 8% and 12% respectively of total revenues and support.

# NOTES TO THE FINANCIAL STATEMENTS

The International Center  
December 31, 2007 and 2006

## NOTE F - NOTES PAYABLE

### The U.S.-Vietnam Forum, Inc.

At December 31, 2007 the Center was obligated on an unsecured line of credit with a limit of \$100,000 for periodic loans to support operations. The balance outstanding at December 31, 2007 was \$50,000 with and interest, due monthly at the Wall Street Journal Prime rate, which was 7.25% at that date. (See Note I).

### United Bank

At December 31, 2006 the Center was obligated on a note with balances of \$616,210. The note is secured by property located at 731 8<sup>th</sup> Street, SE, Washington, DC. The interest rate at December 31, 2006 is 6% with payments of \$4,869.89 per month. The note was paid in full during the year ended December 31, 2007.

At December 31, 2006 the Center was obligated on a note with balances of \$323,538. The note is secured by property located at 731 8<sup>th</sup> Street, SE, Washington, DC. The interest rate at December 31, 2006 is 9.25% with interest only payments due monthly. The note was paid in full during the year ended December 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 was 7.25% compounded monthly with interest due monthly. The note was paid in full during the year ended December 31, 2007.

## NOTE G- 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.

The property had a cost of \$20,832 and was fully depreciated at December 31, 2007 and 2006.

Future minimum lease payments under capital leases as of December 31, 2007 for the remaining year are \$1,016 in aggregate, including interest in the amount of \$61, leaving a present value of minimum lease payments of \$955.

# NOTES TO THE FINANCIAL STATEMENTS

The International Center  
December 31, 2007 and 2006

## NOTE H - 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.

### 2. Lease obligation

On June 15, 2007 the Center entered into a short-term office lease agreement through May 30, 2008 to rent a portion of the 7<sup>th</sup> floor of 1025 Vermont Avenue, NW, Washington, DC.

## NOTE I - RELATED PARTY TRANSACTIONS

### US-ASEAN Business Council, Inc.

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 \$94,899 and \$460,963 respectively for these services in 2007 and 2006. At December 31, 2007 the Center was owed \$39,614 for these services.

### The US-Vietnam Forum, Inc. d.b.a. The Rawson - Sullivan Forum

The Center entered into a grant agreement with The U.S.-Vietnam Forum, Inc. doing business as The Rawson – Sullivan Forum, an affiliated organization exempt under section 501 (c) (3) of the Internal Revenue Code. The grant agreement requires project management support and oversight, research, outreach, education and occasional papers. During the year ended December 31, 2007 the Center made an initial payment under the agreement in the amount of \$519,124. Subsequent funding will include any support the Center receives which has been designated for the purposes described above.

During the year ended December 31, 2007 the Forum agreed to provide to the Center with periodic loans of up to \$100,000. The balance at December 31, 2007 was \$50,000 with accrued interest in the amount of \$141. (See note F).

## NOTE J - 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 \$22,743 and \$55,645 related to the plan as part of employee benefits during the years ended December 31, 2007 and 2006, respectively.

## **NOTES TO THE FINANCIAL STATEMENTS**

The International Center  
December 31, 2007 and 2006

### **NOTE K - FOREIGN OPERATIONS**

The Center receives funding from the U.S. Department of State that requires an active program in Vietnam. There are no foreign earnings.

## **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, 2007, and have issued our report thereon dated May 20, 2008. 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  
May 20, 2008

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## SCHEDULE OF PROGRAM FUNCTIONAL SUPPORT AND REVENUE AND EXPENSES

The International Center

For the Year Ended December 31, 2007 with Comparative Totals for 2006

	2007			2006	
	General Program	New Forest Program	Vietnam Program	Total	Total
Support and revenue					
Conferences	\$ -	\$ -	\$ -	\$ -	\$ 4,500
Contributions	-	266,254	-	266,254	401,588
Contracts and grants	-	-	582,801	582,801	766,141
Foundation support	-	55,500	29,950	85,450	69,750
Net investment income	792	-	-	792	5,031
Rental and other income	26,561	-	-	26,561	48,349
	<u>27,353</u>	<u>321,754</u>	<u>612,751</u>	<u>961,858</u>	<u>1,295,359</u>
Expenses					
Administration	135,139	78,268	141,289	354,696	314,631
Conferences and meetings	1,415	540	1,260	3,215	15,891
Consulting fees	-	-	21,000	21,000	4,000
Delegation	-	-	222,824	222,824	109,996
Direct rental expenses	30,092	-	-	30,092	38,312
Employee fringe benefits	5,085	28,144	37,992	71,221	149,056
Entertainment	997	844	694	2,535	4,335
Fund raising	-	151,776	-	151,776	253,303
Grants and allocations	519,124	-	-	519,124	-
Office supplies and expense	44	2,840	1,126	4,010	4,933
Postage and delivery	41	3,000	405	3,446	6,413
Printing and copy	-	4,958	1,153	6,111	788
Professional fees	5,118	1,681	827	7,626	41,479
Project field expense	-	20,260	82,181	102,441	118,729
Publication expenses	-	-	-	-	4,199
Reference materials	-	319	353	672	1,468
Salaries and wages	21,111	116,841	157,725	295,677	631,458
Telephone	278	4,580	5,473	10,331	12,945
Travel-domestic	84	4,865	13,541	18,490	24,029
Travel-international	-	3,189	62,010	65,199	53,235
	<u>718,528</u>	<u>422,105</u>	<u>749,853</u>	<u>1,890,486</u>	<u>1,789,200</u>
Excess (deficiency) of support and revenue over expenses:	<u>\$ (691,175)</u>	<u>\$ (100,351)</u>	<u>\$ (137,102)</u>	<u>\$ (928,628)</u>	<u>\$ (493,841)</u>

The accompanying notes are an integral part of these financial statements