

ARLINGTON ACADEMY OF HOPE, INC.

REPORT AND FINANCIAL STATEMENTS

**December 31, 2009
(with comparative totals for 2008)**

ARLINGTON ACADEMY OF HOPE, INC.
REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2009
(with comparative totals for 2008)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Arlington Academy of Hope, Inc.
Arlington, Virginia

We have audited the statement of financial position of Arlington Academy of Hope, Inc. (the Organization) as of December 31, 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted 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 evaluation 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 the Arlington Academy of Hope, Inc. as of December 31, 2009, and the results of its activities and changes in its net assets, functional expenses and cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

August 1, 2010
Washington, D.C.



ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
(with comparative totals for 2008)

	2009	2008
ASSETS:		
Cash in bank and in interest bearing accounts	\$ 310,341	\$ 164,794
Cash in foreign banks	14,208	28,252
	324,549	193,046
Accounts receivable and advances	171	2,756
Property and equipment, net of accumulated depreciation	345,899	330,944
	345,899	330,944
TOTAL ASSETS	\$ 670,619	\$ 526,746
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ 5,240	\$ 1,301
Deferred income	1,020	-
	6,260	1,301
	6,260	1,301
Net assets		
Temporarily restricted	\$ -	\$ 1,052
Unrestricted	664,359	524,393
	664,359	525,445
	664,359	525,445
TOTAL LIABILITIES AND NET ASSETS	\$ 670,619	\$ 526,746

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(with comparative totals for 2008)

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>2008 Total</u>
Support, revenue and gains:				
Contributions, grants and contracts	\$ 317,884	\$ 167,053	\$ 484,937	\$ 361,706
Gala dinner	-	14,165	14,165	24,047
Investment income	-	558	558	1,077
Program revenue - fees	46,354	-	46,354	49,466
	<u>364,238</u>	<u>181,776</u>	<u>546,014</u>	<u>436,296</u>
Released from program restrictions	<u>(365,290)</u>	<u>365,290</u>	<u>-</u>	<u>-</u>
Expenses and losses:				
<i>Program Services:</i>				
Uganda programs	-	340,668	\$ 340,668	317,415
U.S. program expenses	-	23,069	23,069	23,848
	<u>-</u>	<u>363,737</u>	<u>363,737</u>	<u>341,263</u>
<i>Support Services:</i>				
Events and fundraising activities	-	6,333	\$ 6,333	6,075
Management, general and administrative	-	37,030	37,030	5,381
	<u>-</u>	<u>43,363</u>	<u>43,363</u>	<u>11,456</u>
Total expenses	<u>-</u>	<u>407,100</u>	<u>407,100</u>	<u>352,719</u>
Change in net assets	(1,052)	139,966	138,914	83,577
Net assets, January 1	1,052	524,393	525,445	441,868
Foreign currency translation adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, December 31	<u>\$ -</u>	<u>\$ 664,359</u>	<u>\$ 664,359</u>	<u>\$ 525,445</u>

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(with comparative totals for 2008)

	<u>Uganda Programs</u>	<u>U.S. Program Expenses</u>	<u>Management, General and Administrative</u>	<u>Fundraising</u>	<u>2009 Total</u>	<u>2008 Total</u>
Salaries and wages	\$ 67,100	\$ -	\$ -	\$ -	\$ 67,100	64,513
Tuition	63,395	-	-	-	63,395	45,466
Kitchen, dining, meals and guest house	35,905	-	-	-	35,905	44,301
Supplies and materials	21,588	1,089	82	-	22,759	22,366
Uniforms	7,739	-	-	-	7,739	16,483
Dues and subscriptions	-	-	1,110	-	1,110	600
Professional fees	-	13,875	27,323	-	41,198	14,054
Insurance	-	-	4,480	-	4,480	1,700
Licenses and permits	-	-	690	-	690	480
Event expenses	-	-	-	3,678	3,678	3,642
AAH outreaches	56,225	-	-	-	56,225	10,609
Meetings, travel, transport	7,284	1,575	-	-	8,859	20,636
School activities	10,655	-	-	-	10,655	17,162
Depreciation	17,576	-	-	-	17,576	18,719
Utilities and fuel	2,311	-	-	-	2,311	4,917
Medical	17,173	-	-	-	17,173	18,010
Laundry	2,654	-	-	-	2,654	1,808
Occupancy and security	533	-	-	-	533	1,002
Printing and copying	-	1,903	-	-	1,903	707
Communications and postage	2,202	2,663	2,995	66	7,926	4,753
Repairs and maintenance	1,202	-	-	-	1,202	2,588
Bank and credit card fees	620	366	238	2,589	3,813	3,798
Staff training	424	-	-	-	424	17,321
Farm expenses	3,718	-	-	-	3,718	4,710
Other operating expenses	20,477	1,598	112	-	22,187	5,691
Miscellaneous	991	-	-	-	991	2,949
Foreign currency transaction losses	896	-	-	-	896	3,734
	<u>\$ 340,668</u>	<u>\$ 23,069</u>	<u>\$ 37,030</u>	<u>\$ 6,333</u>	<u>\$ 407,100</u>	<u>\$ 352,719</u>

See notes to financial statements.

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
<i>CASH FLOW FROM OPERATING ACTIVITIES:</i>		
Change in net assets	<u>\$138,914</u>	<u>\$ 83,577</u>
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>		
Depreciation and amortization	\$ 17,576	18,719
Decrease (increase) in accounts receivable	2,585	(2,159)
Increase in accounts payable and accrued expenses	<u>4,959</u>	<u>1,301</u>
	<u>25,120</u>	<u>17,861</u>
<i>CASH FLOW FROM (USED BY) INVESTING ACTIVITIES:</i>		
Purchase of property, land and equipment	<u>(32,531)</u>	<u>(113,781)</u>
Total adjustments	131,503	(12,343)
<i>Cash and cash equivalents, beginning of period</i>	<u>193,046</u>	<u>205,389</u>
<i>Cash and cash equivalents, end of period</i>	<u><u>\$324,549</u></u>	<u><u>\$ 193,046</u></u>

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. ORGANIZATION

Arlington Academy of Hope, Inc. (AAH or the Organization) was incorporated under the laws of the Commonwealth of Virginia on December 28, 2004 and commenced operating as an independent not for profit organization on January 1, 2005. Prior to this date, AAH was an operating program of a church.

AAH is a volunteer, non-profit organization based in the United States that helps children in rural Uganda reach their full potential. By creating model schools and clinics, we provide education and healthcare programs, local development opportunities, and community outreach to improve the quality of life and transform poor villages into self-sustaining communities. We do this by engaging a caring community of volunteers, child sponsors, donors, partners and friends in the United States, Uganda and throughout the world.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying audited financial statements of AAH have been prepared on the accrual basis of accounting.

Basis of presentation

The Organization complies with the Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116). In accordance with the new standard, prospective application of the recognition of restrictions is reflected in the financial statements. Additionally, AAH also complies with the Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations." Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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 or will be met either by actions of the Organization and/or the passage of time. As of December 31, 2009, AAH has no temporarily restricted assets relating to its Uganda programs.

**ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Basis of presentation (continued)

Permanently restricted net assets - net assets subjected to donor-imposed stipulations that these funds be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2009, AAH has no permanently restricted net assets.

Property and equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the asset, between 5-7 years using accelerated methods, which is not materially different from the straight-line method. Non-residential real estate owned is depreciated over 39 years. Land is recorded at cost and is not depreciated. Depreciation expense for the year ended December 31, 2009 totaled \$17,576.

Income taxes

AAH is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a) (1) of the Code, is subject to Federal income tax.

Functional expenses

The costs of providing programs and operating activities have been summarized on a functional basis in the statement of functional expenditures. Uganda program administrative expenses totaling \$23,069 have been allocated to the Uganda programs based on management's best estimate of the benefit derived.

**ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Volunteers and In-kind contributions

In accordance with SFAS No. 116, volunteer hours and other in-kind contributions, if any, are recorded at their estimated fair market value on the date the unconditional promise to give the asset is made and transfer of the asset is assured or performed. For the year ended December 31, 2009, volunteer hours and in-kind contributions were not included in the Statement of Activity since the value of these contributions could not be objectively measured.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenue and support are recognized by the Organization when the unconditional promise to give by a donor is assured. Expenditures funded by unrestricted net are recorded as a reduction to unrestricted net assets.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by operating or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008 from which the summarized information was derived.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

3. *PROPERTY AND EQUIPMENT*

Property and equipment consisted of the following as of December 31, 2009:

Description	Amount
Buildings	\$302,079
Furniture and equipment	<u>58,538</u>
Subtotal	360,617
Less: Accumulated depreciation	<u>(52,879)</u>
	\$307,869
Land, at cost	<u>38,030</u>
Net property and equipment	<u>\$345,899</u>

4. *COMMITMENTS AND CONTINGENCIES*

For the year ended December 31, 2009, the Organization's has no commitments and/or contingencies.

5. *RELATED PARTY TRANSACTIONS*

During the year ended December 31, 2009, the Organization contracted with a former Board member to perform professional services. The total amount accrued and/or paid under this professional services agreement for the year ended December 31, 2009 was \$38,545. As of December 31, 2009, \$4,000 remained unpaid relating to the agreement.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

6. *FOREIGN CURRENCY ADJUSTMENTS*

The Organization maintains cash in Uganda and all transactions, although denominated in United States of America Dollars (USD), products and services are paid with Ugandan Shillings (UGX). To minimize foreign currency fluctuation exposure and credit concentration risk, USDs are converted into UGX when expended. The average exchange rate between UGX and USD during the year ended December 31, 2009 was approximately 1,915 to \$1. Foreign currency transaction adjustments totaling \$(896) have been included on the statement of activity as an expense for the year ended December 31, 2009. There were no foreign currency translation adjustments as of December 31, 2009 since the opening balance exchange rate of 1,691 was not materially different when converted to USD from December 31, 2008.