

**ARLINGTON ACADEMY OF HOPE, INC.**  
***REPORT AND FINANCIAL STATEMENTS***  
**December 31, 2010**

ARLINGTON ACADEMY OF HOPE, INC.  
REPORT AND FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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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, 2010, 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, 2010, 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 31, 2011  
Washington, D.C.

A handwritten signature in black ink, appearing to read "Nan Miller CPA". The signature is written in a cursive, flowing style.

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2010

**ASSETS:**

Cash in bank and in interest bearing accounts \$ 230,361

**TOTAL ASSETS** \$ 230,361

**LIABILITIES AND NET ASSETS:**

Accounts payable and accrued expenses \$ -

**Net assets**

Temporarily restricted \$ -  
Unrestricted 230,361

**TOTAL LIABILITIES AND NET ASSETS** \$ 230,361

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support, revenue and gains:</b>			
Contributions, grants and contracts	\$ 406,435	\$ -	\$ 406,435
Investment income	1,089	-	1,089
	407,524	-	407,524
<b>Expenses and losses:</b>			
<i>Program Services:</i>			
School and other program expenses	\$ 405,644	-	\$ 405,644
<i>Support Services:</i>			
Gala dinner and other fundraising activities	\$ 10,503		\$ 10,503
Management, general and administrative	32,730		32,730
	43,233	-	43,233
Total expenses	448,877	-	448,877
<b>Change in net assets</b>	(41,353)	-	(41,353)
Net assets, January 1	664,359	-	664,359
Transfer of assets to Arlington Academy of Hope - Uganda	(392,645)	-	(392,645)
<b>Net assets, December 31</b>	\$ 230,361	\$ -	\$ 230,361

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Program Expenses</b>	<b>Management, General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Bank charges	\$ 653	\$ 285	\$ -	\$ 938
Grants, contributions, and transfers	380,588	-	-	380,588
Credit card fees	2,247	674	-	2,921
Dues and subscriptions	713	239	-	952
Event expenses	250	250	7,707	8,207
Facility rental	1,095	-	-	1,095
Licenses and permits	-	383	-	383
Miscellaneous	816	-	-	816
Postage and delivery	949	146	-	1,095
Printing and reproductions	-	597	1,662	2,259
Professional fees and consultants	13,159	28,464	1,134	42,757
Supplies	182	183	-	365
Telephone	35	1,509	-	1,544
Travel and meetings	2,936	-	-	2,936
Other program expenses	2,021	-	-	2,021
	<u>\$ 405,644</u>	<u>\$ 32,730</u>	<u>\$ 10,503</u>	<u>\$ 448,877</u>

See notes to financial statements.

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

***CASH FLOW FROM OPERATING ACTIVITIES:***

Change in net assets	<u>(\$41,353)</u>
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>	
Increase (decrease) in accounts payable and accrued expenses	(5,240)
Increase (decrease) in deferred income	<u>(1,020)</u>
	<u>(6,260)</u>

***CASH FLOW FROM (USED BY) INVESTING ACTIVITIES:***

Transfer of bank balance to Arlington Academy of Hope - Uganda	<u>(46,575)</u>
Total adjustments	(94,188)
<i>Cash and cash equivalents, beginning of period</i>	<u>324,549</u>
<b><i>Cash and cash equivalents, end of period</i></b>	<b><u><u>\$230,361</u></u></b>

**ARLINGTON ACADEMY OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**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 financial statements of AAH have been prepared on the accrual basis of accounting, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

*Basis of presentation*

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958 accounting for contributions received and contributions made financial statements of not-for-profit organizations. Contributions are recognized as revenue when they are received or unconditionally pledged. FASB ASC Topic 958 eliminates the utilization of fund accounting for financial reporting purposes requires that net assets be classified as (1) unrestricted; (2) temporarily restricted; or (3) permanently restricted depending on limitations placed on the net assets by donors. 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, 2010, 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, 2010**

**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, 2010, 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. For the year ended December 31, 2010 all fixed assets were transferred to the Organization's Uganda affiliate (see Note 3) and there were no remaining fixed assets or depreciation expenses as of and for the year ended December 31, 2010 respectively.

***Cash and cash equivalents***

AAH invests cash in excess of its immediate requirements in certificates of deposit and money market funds. Because of their short-term and high liquidity, these investments are considered to be cash equivalents.

***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 the various programs and other operating activities have been summarized on a functional basis in the statement of functional expenditures. Accordingly, certain indirect costs have been allocated amongst the programs and supporting services based upon management's best estimate of the benefit derived from these expenses.

**ARLINGTON ACADEMY OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**2. *SIGNIFICANT ACCOUNTING POLICIES (continued)***

**Volunteers and In-kind contributions**

In accordance with FASB ASC Topic 958, 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. For the year ended December 31, 2010, 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.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the years then ended. 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. Certain grants and awards stipulate that the grantor will reimburse expenditures incurred by the Organization on their behalf once the Organization submits these expenditures for approval. The grantor retains discretionary rights on all expenditures incurred on their behalf. Expenditures funded by unrestricted net assets prior to the receipt of the unconditional promise to pay from the donor are recorded as a reduction to unrestricted net assets.

**Uncertain tax positions**

In accordance with the disclosure provisions of FASB ASC Sub-Topic 740-19 "Accounting for Uncertainty in Income Taxes" as of and for the year ended December 31, 2010, AAH has no uncertain tax positions requiring disclosure or accrual occurred for the year ended December 31, 2010. The open tax years are December 31, 2008, 2009, and 2010.

**ARLINGTON ACADEMY OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**3. TRANSFERS TO FOREIGN NONPROFIT ORGANIZATION**

In prior years AAH recorded all financial activities relating to an affiliated nonprofit organization, Arlington Academy of Hope – Uganda, in its combined financial statements. During the year ended December 31, 2010, the Organization transferred any and all ownership of assets relating to the Uganda nonprofit organization. The Uganda nonprofit is a separate legal nonprofit entity operating solely in Uganda fulfilling its mission with continued support from AAH. During the year ended December 31, 2010, financial support to the Arlington Academy of Hope – Uganda provided by AAH totaled \$378,088.

The following were the assets transferred from AAH to the Arlington Academy of Hope – Uganda and are no longer included in the audited financial statements of AAH. Arlington Academy of Hope – Uganda has a separate audit prepared in accordance with International Auditing Standards by independent Certified Public Accountants:

Description	Amount
Property and equipment, net	\$345,899
Cash in foreign bank	46,575
Accounts receivable – program fees	171
	<b>\$392,645</b>

**4. COMMITMENTS AND CONTINGENCIES**

For the year ended December 31, 2010, the Organization's has no commitments, leases, long-term contracts, grants or awards and/or other potential contingent liabilities requiring disclosure or accrual in the financial statements as of and for the year ended December 31, 2010.

**5. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2010, the Organization contracted with a former Board member to perform professional services. The total amount paid under this professional services agreement for the year ended December 31, 2010 was \$28,104.

**ARLINGTON ACADEMY OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**6. *SUBSEQUENT EVENTS***

Subsequent events have been reviewed through August 31, 2011. All items affecting the financial statements for December 31, 2010 have been included in the accompanying financial statements and disclosures.

During the year ended December 31, 2010, AAH was selected for audit by the Internal Revenue Service. The audit was for the year ended December 31, 2008 but encompasses all outstanding years. As of August 31, 2011, the audit is still ongoing and all document requests from the Internal Revenue Service have been provided. Management does not anticipate any effect on its tax exempt status or other related items as a result of this audit.