

ARLINGTON ACADEMY OF HOPE, INC.

REPORT AND FINANCIAL STATEMENTS

December 31, 2011

ARLINGTON ACADEMY OF HOPE, INC.
REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2011

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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, 2011, 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, 2011, 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.

May 31, 2012
Washington, D.C.



ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011

ASSETS:

Cash in bank and in interest bearing accounts	\$ 282,456
Accounts receivable	7,500
Prepaid expenses	<u>2,500</u>
TOTAL ASSETS	<u><u>\$ 292,456</u></u>

LIABILITIES AND NET ASSETS:

Accounts payable and accrued expenses	<u>\$ 19,964</u>
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Net assets

Temporarily restricted	\$ 19,219
Unrestricted	<u>253,273</u>
	<u>272,492</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 292,456</u></u>
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ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support, revenue and gains:			
Contributions, grants and contracts	\$ 406,980	\$ 41,219	\$ 448,199
Investment income	97	-	97
	407,077	41,219	448,296
Released from program restrictions	22,000	(22,000)	
Expenses and losses:			
<i>Program Services:</i>			
School and other program expenses	\$ 332,969	-	\$ 332,969
<i>Support Services:</i>			
Gala dinner and other fundraising activities	\$ 19,831		\$ 19,831
Management, general and administrative	80,809		80,809
	100,640	-	100,640
Total expenses	433,609	-	433,609
Change in net assets	(4,532)	19,219	14,687
Net assets, January 1	230,361	-	230,361
Adjustment to transfer of assets to Uganda	27,444	-	27,444
	253,273	19,219	272,492
Net assets, December 31	\$ 253,273	\$ 19,219	\$ 272,492

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Expenses	Management, General and Administrative	Fundraising	Total
Salaries and payroll taxes	\$ -	\$ 18,442	\$ -	\$ 18,442
Bank charges	-	502	-	502
Grants, contributions, and transfers	324,900	-	-	324,900
Credit card fees	-	4,877	-	4,877
Dues and subscriptions	505	409	-	914
Event expenses	-	-	8,466	8,466
Facility rental	-	-	3,020	3,020
Licenses and permits	-	200	50	250
Postage and delivery	345	671	1,554	2,570
Printing and reproductions	2,978	-	440	3,418
Professional fees and consultants	-	51,941	6,275	58,216
Supplies and other operating expenses	-	402	26	428
Telephone	-	329	-	329
Travel and meetings	4,241	3,036	-	7,277
	<u>\$ 332,969</u>	<u>\$ 80,809</u>	<u>\$ 19,831</u>	<u>\$ 433,609</u>

See notes to financial statements.

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOW FROM OPERATING ACTIVITIES:

Change in net assets	<u>\$14,687</u>
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>	
(Increase) decrease in accounts receivable	(7,500)
(Increase) decrease in prepaid expenses	(2,500)
Increase (decrease) in accounts payable and accrued expenses	<u>19,964</u>
	<u>9,964</u>
Total cash flow from operating activities	24,651
<i>CASH FLOW FROM INVESTING ACTIVITIES:</i>	
Adjustment to assets transferred to Uganda	<u>27,444</u>
<i>Cash and cash equivalents, beginning of period</i>	<u>230,361</u>
<i>Cash and cash equivalents, end of period</i>	<u><u>\$282,456</u></u>

There were no non-cash activities for the year ended December 31, 2011.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, AAH has temporarily restricted assets relating to its Uganda programs totaling \$19,219.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, 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, 2011 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, 2011 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, 2011

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, 2011, 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, 2011, AAH has no uncertain tax positions requiring disclosure or accrual occurred for the year ended December 31, 2011. The open tax years are December 31, 2008, 2009, 2010, and 2011. See Note 3.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

3. *COMMITMENTS AND CONTINGENCIES*

For the year ended December 31, 2011, 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, 2011.

In 2011, AAH was under audit relating to its Form 990 and its related programmatic activities in Uganda for the tax years 2008 through 2010. The IRS audit is ongoing however the IRS has accepted Form 990 for the tax years ended December 31, 2008 through 2010. Certain adjustments relating to compliance were made to the reclassification of independent contractors to employees resulting in a payroll tax liability relating to tax years 2009-2011 of \$15,427. This amount has been accrued in the accompanying financial statements. As of May 31, 2012 these amounts have been paid by AAH to satisfy the IRS reclassification.

4. *RESTATEMENT OF BEGINNING BALANCES*

In 2011 AAH determined that an adjustment was required to the total amount of assets transferred to Uganda in 2010. The total amount of the adjustment made based on a financial audit of the program in Uganda resulting in adjustments of \$46,575 and (\$19,131) for a total net adjustment of \$27,444. These adjustments have been included in the Statement of Activities for the year ended December 31, 2011 as an adjustment to beginning unrestricted net assets.

5. *SUBSEQUENT EVENTS*

Subsequent events have been reviewed through May 31, 2012. All items affecting the financial statements for December 31, 2011 have been included in the accompanying financial statements and disclosures.