

**ARLINGTON ACADEMY OF HOPE, INC.**

***REPORT AND FINANCIAL STATEMENTS***

**December 31, 2008  
(with comparative totals for 2007)**

ARLINGTON ACADEMY OF HOPE, INC.  
REPORT AND FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(with comparative totals for 2007)

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activity and Net Assets	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-9

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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, 2008, and the related statements of activities and changes in net assets, cash flows and functional expenses 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, 2008, and the results of its activities and changes in its net assets, cash flows and functional expenses for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.



The Miller Group, Certified Public Accountants  
June 25, 2009  
Washington, D.C.

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2008  
(with comparative totals for 2007)

	<b>2008</b>	<b>2007</b>
<b>ASSETS:</b>		
Cash in bank and on hand	\$ 164,794	\$ 186,487
Cash in foreign banks	28,252	18,902
	193,046	205,389
Accounts receivable and advances	2,756	597
Property and equipment, net of accumulated depreciation	330,944	235,882
	<b>\$ 526,746</b>	<b>\$ 441,868</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued expenses	\$ 1,301	\$ -
<b>Net assets</b>		
Temporarily restricted	1,052	20,603
Unrestricted	524,393	421,265
	525,445	441,868
	<b>\$ 526,746</b>	<b>\$ 441,868</b>

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(with comparative totals for 2007)

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>2007 Total</u>
<b>Support, revenue and gains:</b>				
Contributions, grants and other	\$ 90,467	\$ 295,286	\$ 385,753	\$ 332,193
Foreign currency transaction gains	-	-	-	609
Investment income	-	1,077	1,077	1,329
Program revenue - fees	-	49,466	49,466	31,179
	<u>90,467</u>	<u>345,829</u>	<u>436,296</u>	<u>365,310</u>
Released from program restrictions	<u>(110,018)</u>	<u>110,018</u>	<u>-</u>	<u>-</u>
<b>Expenses and losses:</b>				
<i>Program Services:</i>				
Uganda programs	-	317,415	\$ 317,415	148,476
U.S. program expenses	-	23,848	23,848	8,605
	<u>-</u>	<u>341,263</u>	<u>341,263</u>	<u>157,081</u>
<i>Support Services:</i>				
Fundraising	-	6,075	\$ 6,075	-
Management, general and administrative	-	5,381	5,381	9,568
	<u>-</u>	<u>11,456</u>	<u>11,456</u>	<u>9,568</u>
Total expenses	<u>-</u>	<u>352,719</u>	<u>352,719</u>	<u>166,649</u>
<b>Change in net assets</b>	(19,551)	103,128	83,577	198,661
Net assets, January 1	20,603	421,265	441,868	245,788
Foreign currency translation adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,581)</u>
<b>Net assets, December 31</b>	<u>\$ 1,052</u>	<u>\$ 524,393</u>	<u>\$ 525,445</u>	<u>\$ 441,868</u>

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(with comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
<b><i>CASH FLOW FROM OPERATING ACTIVITIES:</i></b>		
Change in net assets	<u>\$83,577</u>	<u>\$ 198,661</u>
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>		
Depreciation and amortization	\$ 18,719	8,747
Increase in accounts receivable	(2,159)	5,741
Foreign currency translation adjustment	-	(2,581)
Increase in accounts payable and accrued expenses	<u>1,301</u>	<u>(889)</u>
	<u>17,861</u>	<u>11,018</u>
<b><i>CASH FLOW FROM (USED BY) INVESTING ACTIVITIES:</i></b>		
Purchase of property, land and equipment	<u>(113,781)</u>	<u>(133,780)</u>
Total adjustments	(12,343)	75,899
<i>Cash and cash equivalents, beginning of period</i>	<u>205,389</u>	<u>129,490</u>
<b><i>Cash and cash equivalents, end of period</i></b>	<b><u>\$193,046</u></b>	<b><u>\$ 205,389</u></b>

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(with comparative totals for 2007)

	<b>Uganda Programs</b>	<b>U.S. Program Expenses</b>	<b>Management, General and Administrative</b>	<b>Fundraising</b>	<b>2008 Total</b>	<b>2007 Total</b>
Salaries and wages	\$ 64,513	\$ -	\$ -	\$ -	\$ 64,513	48,374
Tuition	45,466	-	-	-	45,466	19,967
Kitchen, dining, meals and guest house	40,357	3,944	-	-	44,301	18,313
Supplies and materials	21,464	152	384	366	22,366	13,038
Uniforms	16,483	-	-	-	16,483	10,812
Dues and subscriptions	-	520	80	-	600	493
Professional fees	1,597	10,707	1,750	-	14,054	3,337
Insurance	-	-	1,700	-	1,700	1,700
Licenses and permits	-	415	25	40	480	580
AAH outreaches	10,609	-	-	-	10,609	1,088
Meetings, travel, transport	14,377	2,498	-	3,761	20,636	10,900
Students study tour	-	-	-	-	-	5,471
School activities	17,162	-	-	-	17,162	771
Depreciation	18,719	-	-	-	18,719	8,747
Utilities	4,917	-	-	-	4,917	361
Medical	18,010	-	-	-	18,010	985
Laundry	1,808	-	-	-	1,808	618
Occupancy and security	1,002	-	-	-	1,002	1,001
Printing and copying	-	-	367	340	707	1,357
Communications and postage	3,114	182	449	1,008	4,753	3,237
Repairs and maintenance	2,588	-	-	-	2,588	861
Bank and credit card fees	712	2,009	626	451	3,798	3,274
Staff training	17,321	-	-	-	17,321	1,585
Farm expenses	4,710	-	-	-	4,710	397
Other operating expenses	8,752	472	-	109	9,333	9,382
Miscellaneous	-	2,949	-	-	2,949	-
Foreign currency transaction losses	3,734	-	-	-	3,734	-
	<u>\$ 317,415</u>	<u>\$ 23,848</u>	<u>\$ 5,381</u>	<u>\$ 6,075</u>	<u>\$ 352,719</u>	<u>\$ 166,649</u>

See notes to financial statements.

**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**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, 2008, AAH has temporarily restricted assets relating to its Uganda programs totaling \$1,052.

**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008 (continued)**

**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, 2008, 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, 2008 totaled \$18,719.

**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 \$2,949 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, 2008 (continued)**

**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, 2008, 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 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, 2007 from which the summarized information was derived.

**3. NET ASSETS**

As of December 31, 2008, temporarily restricted net assets consist of grants and contributions for the following programs:

Documentary program	<u>\$1,052</u>
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**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008 (continued)**

**4. *PROPERTY AND EQUIPMENT***

Property and equipment consisted of the following as of December 31, 2008:

<b>Description</b>	<b>Amount</b>
Buildings	\$279,480
Furniture and equipment	<u>51,088</u>
Subtotal	330,568
Less: Accumulated depreciation	<u>( 35,303)</u>
	\$295,265
Land, at cost	<u>35,679</u>
Net property and equipment	<u>\$330,944</u>

**5. *COMMITMENTS AND CONTINGENCIES***

For the year ended December 31, 2008, the Organization's has no commitments and/or contingencies.

**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, USD are converted into UGX when expended. The average exchange rate between UGX and USD during the year ended December 31, 2008 was approximately 1,691 to \$1. Foreign currency transaction adjustments totaling \$(3,734) have been included on the statement of activity as adjustment to revenue and support for the year ended December 31, 2008. There were no foreign currency translation adjustments as of December 31, 2008 since the opening balance exchange rate of 1,698 was not materially different from December 31, 2008.