



ARLINGTON ACADEMY OF HOPE, INC.

REPORT AND FINANCIAL STATEMENTS

December 31, 2016 and 2015

ARLINGTON ACADEMY OF HOPE, INC.
REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arlington Academy of Hope
Arlington, VA

Report on Financial Statements

We have audited the accompanying financial statements of Arlington Academy of Hope (AAH) (a Commonwealth of Virginia not-for-profit organization) which comprises the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AAH's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information - Calculation of Actual Indirect Cost Rate

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Calculation of Actual Indirect Cost Rate is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Nanette K Miller CPA PC

April 15, 2017

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 and 2015

	2016	2015
ASSETS:		
Cash in bank and in interest bearing accounts	\$ 474,506	\$ 324,888
Investment in securities	-	1,321
Prepaid expenses	-	5,083
Furniture and equipment: Office equipment and computer software, net of accumulated depreciation of \$7,496 and \$3,245, respectively	1,500	5,362
TOTAL ASSETS	\$ 476,006	\$ 336,654
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ -	\$ -
Net assets		
Temporarily restricted	\$ 184,438	\$ 55,749
Unrestricted	291,568	280,905
	476,006	336,654
TOTAL LIABILITIES AND NET ASSETS	\$ 476,006	\$ 336,654

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenue and gains:			
Contributions, grants and contracts	\$ 598,541	\$ 159,009	\$ 757,550
Investment income (loss)	(1,440)	-	(1,440)
Annual gala dinner	66,489	-	66,489
Other income	15,842	-	15,842
	<u>679,432</u>	<u>159,009</u>	<u>838,441</u>
Released from program restrictions	<u>30,320</u>	<u>(30,320)</u>	<u>-</u>
Expenses and losses:			
<i>Program Services:</i>			
School and other programs expenses	\$ 590,530	-	\$ 590,530
<i>Support Services:</i>			
Gala dinner and other fundraising activities	\$ 75,310	-	\$ 75,310
Management, general and administrative	33,249	-	33,249
	<u>108,559</u>	<u>-</u>	<u>108,559</u>
Total expenses	<u>699,089</u>	<u>-</u>	<u>699,089</u>
Change in net assets	10,663	128,689	139,352
Net assets, January 1, 2016	<u>280,905</u>	<u>55,749</u>	<u>336,654</u>
Net assets, December 31, 2016	<u>\$ 291,568</u>	<u>\$ 184,438</u>	<u>\$ 476,006</u>

See notes to financial statements.

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support, revenue and gains:			
Contributions, grants and contracts	\$ 693,542	\$ 28,916	\$ 722,458
Investment income (loss)	(26)	-	(26)
Other income	7,351	-	7,351
	<u>700,867</u>	<u>28,916</u>	<u>729,783</u>
Released from program restrictions	<u>17,640</u>	<u>(17,640)</u>	<u>-</u>
Expenses and losses:			
<i>Program Services:</i>			
School and other programs expenses	\$ 550,500	-	\$ 550,500
<i>Support Services:</i>			
Gala dinner and other fundraising activities	\$ 28,463	-	\$ 28,463
Management, general and administrative	17,416	-	17,416
	<u>45,879</u>	<u>-</u>	<u>45,879</u>
Total expenses	<u>596,379</u>	<u>-</u>	<u>596,379</u>
Change in net assets	122,128	11,276	133,404
Net assets, January 1	178,477	24,773	203,250
Prior period adjustment	<u>(19,700)</u>	<u>19,700</u>	<u>-</u>
Net assets, December 31	<u>\$ 280,905</u>	<u>\$ 55,749</u>	<u>\$ 336,654</u>

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Expenses	Management, General and Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 8,865	\$ 29,548	\$ 20,684	\$ 59,097
Advertising	400	76	25	501
Bank fees	469	185	-	654
Contributions, grants and transfers	538,593	-	-	538,593
Computer expenses	3,033	569	190	3,791
Development	-	54	-	54
Donation processing fees	-	-	18,093	18,093
Dues and subscriptions	600	113	38	750
Event expenses	-	-	13,395	13,395
Insurance	1,249	234	78	1,561
Licenses and permits	628	118	39	785
Occupancy	880	165	55	1,100
Office expenses	6,007	1,126	375	7,509
Office services and software fees	1,585	297	4,084	5,966
Professional fees and consultants	4,079	765	15,255	20,099
Depreciation expense	-	-	2,999	2,999
Travel and meetings	24,142	-	-	24,142
	<u>\$ 590,530</u>	<u>\$ 33,249</u>	<u>\$ 75,310</u>	<u>\$ 699,089</u>

See notes to financial statements.

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Expenses	Management, General and Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 68,697	\$ 8,074	\$ 4,056	\$ 80,827
Bank charges	743	83	42	868
Grants, contributions, and transfers	457,200	-	-	457,200
Credit card fees	7,213	2,730	523	10,466
Dues and subscriptions	619	565	4,464	5,648
Event expenses	-	-	13,796	13,796
Licenses and permits	-	91	-	91
Postage and delivery	716	22	980	1,718
Printing and reproductions	749	23	3,543	4,315
Professional fees and consultants	1,714	2,121	202	4,037
Supplies and other operating expenses	4,202	3,382	473	8,057
Depreciation expense	2,536	325	384	3,245
Travel and meetings	6,112	-	-	6,112
	<u>\$ 550,500</u>	<u>\$ 17,416</u>	<u>\$ 28,463</u>	<u>\$ 596,379</u>

See notes to financial statements.

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<i>CASH FLOW FROM OPERATING ACTIVITIES:</i>		
Change in net assets	<u>\$ 139,352</u>	<u>\$ 133,404</u>
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>		
Depreciation expense	2,999	3,245
Unrealized loss on securities	-	39
(Increase) decrease in prepaid expenses	<u>5,083</u>	<u>(5,083)</u>
	<u>8,082</u>	<u>(1,799)</u>
Total cash flow from operating activities	147,434	131,605
<i>CASH FLOW FROM INVESTING ACTIVITIES:</i>		
Purchase of computer equipment	-	(1,360)
Disposal of computer equipment - book value, net of accumulated depreciation	863	-
Sale of donated stock received and unsold in prior year(s) held for sale	<u>1,321</u>	<u>-</u>
	2,184	(1,360)
 <i>Cash and cash equivalents, beginning of period</i>	 <u>324,888</u>	 <u>194,643</u>
<i>Cash and cash equivalents, end of period</i>	<u><u>\$ 474,506</u></u>	<u><u>\$ 324,888</u></u>
 Non-cash activities:		
Donated equity securities	<u>\$ 22,186</u>	<u>\$ 1,359</u>

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. ORGANIZATION

Arlington Academy of Hope, Inc. (AAH or the Organization) was incorporated under the laws 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. Through grants and subsidies to an affiliate NGO located in Uganda, AAH funds the creation of model schools and clinics. AAH provides education and healthcare programs, local development opportunities, and community outreach to improve the quality of life and transform poor villages into self-sustaining communities. AAH does 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.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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 3-5 years using the straight-line method. Depreciation expense for the year ended December 31, 2016 and 2015 is \$2,999 and \$3,245, 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. As of December 31, 2016 and 2015, AAH has no unrelated business income subject to Federal 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 YEARS ENDED DECEMBER 31, 2016 AND 2015

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 years ended December 31, 2016 and 2015, 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, 2016 and 2015, AAH has no uncertain tax positions requiring disclosure or accrual occurred for the year ended December 31, 2016. The open tax years are December 31, 2014, 2015, and 2016.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Investments

In accordance with FASB ASC Sub-Topic 958-320 relating to the accounting for certain investments held by non-profit organizations, investments are carried at estimated fair value based on quoted market prices. Investments received through gifts are recorded at estimated fair market value at the date of donation. Investment income or losses (including realized gains and losses on investments, interest and dividends) are reported when earned and included as operating activities in the Statement of Activity. Unrealized gains and losses, if any, are classified as other (income) losses in the Statement of Activities. In the absence of any donor-imposed or legal restrictions on how investment income may be used, gains are reported as an increase in unrestricted net assets. A loss, realized or unrealized, is recorded as a decrease in unrestricted net assets. If restrictions do exist on the use of an investment, the gain or loss is shown as an increase or decrease in either temporarily or permanently restricted net assets, depending on the type of restriction existing. Investment income (i.e., interest and dividends) earned during the year is reported as an increase in unrestricted net assets, unless the income's use is restricted; in that case, temporarily or permanently restricted net assets are increased depending upon the restriction.

As of December 31, 2016, investments consisted of money market funds which are considered cash equivalents for the purpose of the Statement of Cash Flows. Per FASB ASC Sub-Topic 958-320 money market accounts are considered Level 1 investments. As of December 31, 2015, AAH held for sale donated stock valued at \$1,321. During the year ended December 31, 2016 this stock was sold for \$1,252. AAH holds no other stock investments held for sale.

For the years ended December 31, 2016 and 2015 realized gains (losses) combined on donated securities sold totaled (\$1,523) and (\$39), respectively.

3. *RELEASED FROM RESTRICTIONS*

For the years ended December 31, 2016 and 2015, \$30,320 and \$17,640, respectively, of temporarily restricted net assets were released from program restrictions. These expenditures are included in on the Statement of Functional Expenses for the years ended December 31, 2016 and 2015, respectively, and were properly used for various program related expenses as stipulated by the donor.

**ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

4. PRIOR PERIOD ADJUSTMENT

In 2016, AAH reclassified temporarily restricted contributions totaling \$41,198 that were erroneously classified as unrestricted funds as of December 31, 2015.

Additionally, during the year ended December 31, 2015, an additional \$21,498 should have been released from donor restrictions and included as an increase to unrestricted net assets and a decrease to temporarily restricted net assets as of December 31, 2015. The effect of these adjustments resulted in a net decrease to unrestricted net assets of \$19,700 and a corresponding increase to temporarily restricted net assets of \$19,700. Restated unrestricted net assets as of December 31, 2015 totaled \$280,905. Restated temporarily restricted net assets as of December 31, 2015 totaled \$55,749. These restatements are reflected in the Statements of Financial Position and Statements of Activities as of and for the years ended December 31, 2016 and 2015, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, AAH has temporarily restricted assets relating to its Uganda and school programs totaling \$184,438 and \$55,749 (as restated), respectively.

Program	2016	2015
Health - General	\$ 25,832	\$ -
Health - Bupoto Clinic	9,500	-
Matuwa School	7,240	-
Primary Fees	6,000	7,200
Secondary Fees	21,800	22,800
Secondary School Building	62,317	14,549
Sims/Jones University Fund	12,549	-
Tertiary Fees	39,200	11,200
	-	-
	\$ 184,438	\$ 51,749

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

6. *COMMITMENTS AND CONTINGENCIES*

For the years ended December 31, 2016 and 2015, the Organization's has a one year commitment for media monitoring and website maintenance and a month to month lease for office space. AAH has no long-term commitments (exceeding one year) for leases, contracts, grants or awards and/or other potential contingent liabilities requiring disclosure or accrual in the financial statements as of and for the years ended December 31, 2016 and 2015.

7. *SUBSEQUENT EVENTS*

Subsequent events have been reviewed through April 15, 2017. All items affecting the financial statements for December 31, 2016 have been included in the accompanying financial statements and disclosures.

ARLINGTON ACADEMY OF HOPE
 SUPPLEMENTAL INFORMATION
 CALCULATION OF ACTUAL INDIRECT COST RATE
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Programs (a)	Fund Raising (b)	Total Direct Cost (a+b) = c	Administrative and General (d)	Overhead Rate (d)/(c) +(d)
2016	\$ 590,530	\$ 75,310	\$ 665,840	\$ 33,249	4.99%
2015	\$ 550,500	\$ 28,463	\$ 578,963	\$ 17,416	3.01%