

**ARLINGTON ACADEMY OF HOPE, INC.**  
***REPORT AND FINANCIAL STATEMENTS***  
**December 31, 2007**  
**(with comparative totals for 2006)**

ARLINGTON ACADEMY OF HOPE, INC.  
REPORT AND FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(with comparative totals for 2006)

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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, 2007, 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, 2007, 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  
October 10, 2008  
Washington, D.C.

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2007  
(with comparative totals for 2006)

	<b>2007</b>	<b>2006</b>
<b>ASSETS:</b>		
Cash in bank and on hand	\$ 186,487	\$ 103,697
Cash in foreign banks	18,902	25,793
	205,389	129,490
Accounts receivable	597	6,338
Property and equipment, net of accumulated depreciation	235,882	110,849
	235,882	110,849
<b>TOTAL ASSETS</b>	<b>\$ 441,868</b>	<b>\$ 246,677</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable and accrued expenses	\$ -	\$ 889
<b>Net assets</b>		
Temporarily restricted	20,603	-
Unrestricted	421,265	245,788
	441,868	245,788
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 441,868</b>	<b>\$ 246,677</b>

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(with comparative totals for 2006)

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>2006 Total</u>
<b>Support, revenue and gains:</b>				
Contributions	\$ 21,000	\$ 311,193	\$ 332,193	\$ 191,434
Foreign currency transaction gains	-	609	609	1,388
Program revenue - fees and other income	-	32,508	32,508	32,281
	<u>21,000</u>	<u>344,310</u>	<u>365,310</u>	<u>225,103</u>
Released from program restrictions	(397)	397	-	-
<b>Expenses and losses:</b>				
<i>Program Services:</i>				
Uganda program		148,476	\$ 148,476	109,554
U.S. Program		8,605	8,605	-
	<u>-</u>	<u>157,081</u>	<u>157,081</u>	<u>109,554</u>
<i>Support Services:</i>				
Management, general and administrative	-	9,568	9,568	10,487
Total expenses	<u>-</u>	<u>166,649</u>	<u>166,649</u>	<u>120,041</u>
<b>Change in net assets</b>	20,603	178,058	198,661	105,062
Net assets, January 1, 2007	-	245,788	245,788	139,743
Cummulative foreign currency translation adjustment	-	(2,581)	(2,581)	983
<b>Net assets, December 31, 2007</b>	<u>\$ 20,603</u>	<u>\$ 421,265</u>	<u>\$ 441,868</u>	<u>\$ 245,788</u>

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(with comparative totals for 2006)

	<b>2007</b>	<b>2006</b>
<b><i>CASH FLOW FROM OPERATING ACTIVITIES:</i></b>		
Change in net assets	\$198,661	\$ 105,062
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>		
Depreciation and amortization	\$ 8,747	4,584
Increase in accounts receivable	5,741	(6,338)
Foreign currency adjustment to cash balances	(2,581)	(983)
Increase in accounts payable and accrued expenses	(889)	889
	11,018	(1,848)
<b><i>CASH FLOW FROM (USED BY) INVESTING ACTIVITIES:</i></b>		
Purchase of property, land and equipment	(133,780)	(40,026)
Total adjustments	75,899	63,188
<i>Cash and cash equivalents, beginning of period</i>	129,490	66,302
<b><i>Cash and cash equivalents, end of period</i></b>	<b>\$205,389</b>	<b>\$ 129,490</b>

ARLINGTON ACADEMY OF HOPE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(with comparative totals for 2006)

	Uganda Programs	U.S. Programs	Management, General and Administrative	2007 Total	2006 Total
Salaries and wages	\$ 48,374	-	-	\$ 48,374	44,663
Grants, scholarships and allocations	19,967	-	-	19,967	-
Kitchen and dining expenses	18,313	-	-	18,313	13,099
Supplies and materials	11,205	59	1,774	13,038	13,895
Uniform and school bags	10,812	-	-	10,812	2,402
Dues and subscriptions	-	-	493	493	489
Accounting and auditing	2,037	-	1,300	3,337	1,471
Insurance	-	-	1,700	1,700	-
Licenses and permits	-	-	580	580	75
AAH outreaches	1,088	-	-	1,088	13,059
Meetings, travel, transport	6,992	466	3,442	10,900	7,896
Students study tour	5,471	-	-	5,471	-
Sports activities	771	-	-	771	-
Depreciation	8,747	-	-	8,747	4,584
Utilities	361	-	-	361	3,286
Medical	985	-	-	985	1,347
Laundry	618	-	-	618	1,327
Rent	502	-	-	502	1,633
Printing and copying	-	25	499	1,001	1,405
Communications and postage	835	301	1,332	1,357	3,914
Repairs and maintenance	861	-	-	861	684
Bank charges	502	1,376	1,396	3,274	2,100
Casual labor	-	-	-	-	32
Staff training	1,585	-	-	1,585	-
Farm expenses	397	-	-	397	-
Other expenses	8,053	-	1,329	9,382	2,680
Allocated administrative expenses	-	6,378	(6,378)	-	-
	<u>\$ 148,476</u>	<u>\$ 8,605</u>	<u>\$ 9,568</u>	<u>\$ 166,649</u>	<u>\$ 120,041</u>

See notes to financial statements.

**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 that helps children in rural Uganda by creating model schools and clinics, providing education and healthcare programs, local development opportunities, and community outreach to improve the quality of life and transform poor villages into self-sustaining communities.

**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, 2007, AAH has temporarily restricted assets relating to its Uganda programs totaling \$20,603.



**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007 (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, 2007, 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, 2007 totaled \$8,747.

***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. Accordingly, 40% of common/shared costs may have been allocated to the U.S. programs based on management's best estimate of the benefit derived and nonprofit industry standards.

**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007 (continued)**

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

**In-kind contributions**

In accordance with SFAS No. 116, 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, 2007, no in-kind contributions were recorded 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.

**3. NET ASSETS**

As of December 31, 2007, temporarily restricted net assets consist of grants and contributions for the following programs:

Solar energy program	\$12,500
Farming program	<u>8,103</u>
	<u>\$20,603</u>

**ARLINGTON ACADEMY OF HOPE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007 (continued)**

**4. *PROPERTY AND EQUIPMENT***

Property and equipment consisted of the following as of December 31, 2007:

<b>Description</b>	<b>Amount</b>
Buildings	\$213,938
Office furniture and equipment	<u>13,450</u>
Subtotal	227,388
Less: Accumulated depreciation	<u>( 16,584)</u>
	\$210,804
Land, at cost	<u>25,078</u>
Net property and equipment	<u>\$235,882</u>

**5. *COMMITMENTS AND CONTINGENCIES***

For the year ended December 31, 2007, 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 exchange rate between UGX and USD as of December 31, 2007 was 1,688 to \$1. The average exchange rate between UGX and USD during the year ended December 31, 2007 was approximately 1,753 to \$1. Foreign currency translation losses totaled \$2,581 as of December 31, 2007. Net foreign currency transaction adjustments totaling \$609 have been included on the statement of activity as adjustment to revenue and support for the year ended December 31, 2007.