



ARLINGTON ACADEMY OF HOPE, INC.

REPORT AND FINANCIAL STATEMENTS

December 31, 2019 and 2018

ARLINGTON ACADEMY OF HOPE, INC.
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DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018 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, 2019 and 2018, 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.

July 27, 2020
Washington DC

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 and 2018

	2019	2018
ASSETS:		
Cash in bank and in interest bearing accounts	\$ 696,344	\$ 496,270
Grants and pledges receivable	90,000	96,098
Prepaid expenses	3,000	3,330
Furniture and equipment:		
Office equipment and computer software, net of accumulated depreciation of \$8,995, respectively	-	-
TOTAL ASSETS	\$ 789,344	\$ 595,698
 LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ 6,962	\$ -
Deferred revenue	16,842	2,000
	23,804	2,000
 Net assets		
Net assets with donor restrictions	\$ 342,192	\$ 306,576
Net assets without donor restrictions	423,348	287,122
	765,540	593,698
TOTAL LIABILITIES AND NET ASSETS	\$ 789,344	\$ 595,698

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenue and gains:			
Contributions, grants and contracts	\$ 698,589	\$ 248,546	\$ 947,135
Investment income (loss)	58	-	58
Events	124,082	-	124,082
Less: Direct expenses	<u>(37,542)</u>	<u>-</u>	<u>(37,542)</u>
	86,540	-	86,540
Other income	<u>49,359</u>	<u>-</u>	<u>49,359</u>
	<u>834,546</u>	<u>248,546</u>	<u>1,083,092</u>
Released from program restrictions	<u>131,774</u>	<u>(131,774)</u>	<u>-</u>
Expenses and losses:			
<i>Program Services:</i>			
School and other programs expenses	<u>\$ 739,523</u>	<u>-</u>	<u>\$ 739,523</u>
<i>Support Services:</i>			
Administration	\$ 125,330	-	\$ 125,330
Fundraising	<u>46,397</u>	<u>-</u>	<u>46,397</u>
	<u>171,727</u>	<u>-</u>	<u>171,727</u>
Total expenses	<u>\$ 911,250</u>	<u>\$ -</u>	<u>\$ 911,250</u>
Change in net assets	55,070	116,772	171,842
Net assets, January 1, 2018	<u>287,122</u>	<u>306,576</u>	<u>593,698</u>
Net assets, December 31, 2018	<u>\$ 342,192</u>	<u>\$ 423,348</u>	<u>\$ 765,540</u>

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains:			
Contributions, grants and contracts	\$ 602,411	\$ 168,170	\$ 770,581
Investment income (loss)	61	-	61
Events	128,941	-	128,941
Less: Direct expenses	(27,894)	-	(27,894)
	<u>101,047</u>	<u>-</u>	<u>101,047</u>
Other income	65,047	-	65,047
	<u>768,566</u>	<u>168,170</u>	<u>936,736</u>
Released from program restrictions	<u>123,166</u>	<u>(123,166)</u>	<u>-</u>
Expenses and losses:			
<i>Program Services:</i>			
School and other programs expenses	\$ 732,789	-	\$ 732,789
<i>Support Services:</i>			
Administration	\$ 107,912	-	\$ 107,912
Fundraising	52,722	-	52,722
	<u>160,634</u>	<u>-</u>	<u>160,634</u>
Total expenses	<u>893,423</u>	<u>-</u>	<u>893,423</u>
Change in net assets	(1,691)	45,004	43,313
Net assets, January 1, 2018	<u>288,813</u>	<u>261,572</u>	<u>550,385</u>
Net assets, December 31, 2018	<u>\$ 287,122</u>	<u>\$ 306,576</u>	<u>\$ 593,698</u>

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	School and Program Expenses	Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 21,109	\$ 37,996	\$ 25,331	\$ 84,436
Advertising	-	380	25	405
Bank and donation processing fees	-	14,860	2,974	17,834
Contributions, grants and transfers	709,605	454	-	710,059
Insurance	-	6,067	-	6,067
State registration fees	-	-	10,661	10,661
Occupancy	-	11,016	-	11,016
Office expenses	723	3,968	2,601	7,292
Office services and software fees	-	2,198	3,228	5,426
Professional fees and consultants	7,756	18,807	222	26,785
Travel and meetings	330	29,584	1,355	31,269
	<u>\$ 739,523</u>	<u>\$ 125,330</u>	<u>\$ 46,397</u>	<u>\$ 911,250</u>

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	School and Program Expenses	Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 26,431	\$ 47,576	\$ 31,718	\$ 105,725
Advertising	-	330	160	490
Bank fees and donation processing fees	-	17,328	1,721	19,049
Contributions, grants and transfers	666,477	-	-	666,477
Computer expenses	-	468	-	468
Insurance	-	6,023	-	6,023
Licenses and permits	-	25	3,700	3,725
Occupancy	-	10,550	-	10,550
Office expenses	-	5,362	6,710	12,072
Office services and software fees	-	2,167	3,196	5,363
Pass-through expenses	5,690	-	-	5,690
Professional fees and consultants	-	13,965	4,194	18,159
Travel and meetings	34,191	4,118	1,323	39,632
	<u>\$ 732,789</u>	<u>\$ 107,912</u>	<u>\$ 52,722</u>	<u>\$ 893,423</u>

ARLINGTON ACADEMY OF HOPE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<i>CASH FLOW FROM OPERATING ACTIVITIES:</i>		
Change in net assets	\$ 171,842	\$ 43,313
<i>Adjustments to reconcile to the change in net assets (used in) operating activities:</i>		
(Increase) decrease in grants and pledges receivable	6,098	(51,028)
(Increase) decrease in prepaid expenses	330	(330)
Increase (decrease) in accounts payable	6,961	(500)
Increase (decrease) in deferred revenue	14,843	1,500
	28,232	(50,358)
Total cash flow from operating activities	200,074	(7,045)
 <i>Cash and cash equivalents, beginning of period</i>	 496,270	 503,315
<i>Cash and cash equivalents, end of period</i>	\$ 696,344	\$ 496,270
 Non-cash activities:		
Donated equity securities	\$ 2,560	\$ -

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, including ASU No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements for 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: Not-for-Profit Entities. 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 and requires that net assets be classified as (1) net assets without donor restrictions; or (2) net assets with donor restrictions, depending on limitations placed on the net assets by donors. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions imposed at the time received. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be met 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, 2019 AND 2018

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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. As of December 31, 2019 and 2018, all assets have been fully depreciated.

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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Revenue Recognition

Contributions and all other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets no longer restricted and reported in the statement of activities as contributions released from donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Expenses associated with exchange or reimbursement of direct costs are expensed as incurred and grant funds are relating to these transactions are due and payable to the Organization. Net assets without donor restrictions received in advance of the donor specified award period are recorded as deferred revenue and recognized in the accounting period specified by the donor. Consulting, honoraria, and other income are recognized in the period earned.

Uncertain tax positions

In accordance with Financial Accounting Standards Board Accounting Standards Codification 740-10, Accounting for Uncertainty of Income Taxes which clarifies the accounting for the recognition and measurement of the benefits of individual tax position in the financial statements, including those non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the financial statements.

AAH analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as tax exempt organization, activities performed by volunteers and board members, the reporting of unrelated business income, and its status as a tax-exempt organization under D.C statute.

The Organization is not aware of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after December 31, 2016 remain subject to examination by federal and state authorities.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, AAH holds no other investments.

3. *RELEASED FROM RESTRICTIONS*

For the years ended December 31, 2019 and 2018, \$131,774 and \$123,166, respectively, of net assets with donor restrictions were released for program activities. These expenditures are included in on the Statement of Functional Expenses for the years ended December 31, 2019 and 2018, 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, 2019 AND 2018

4. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2019 and 2018, AAH has temporarily restricted assets relating to its Uganda and school programs totaling \$423,348 and \$306,576, respectively, are as follows:

Program	2019	2018
Education and Health - General	\$ 92,896	\$ 31,221
Matuwa Schools	29,192	13,969
Primary Fees	2,400	2,433
Secondary Fees	27,731	30,731
Secondary School Building	50,986	53,286
Sims/Jones University Fund	17,881	15,066
Tertiary Fees	87,800	86,200
Other School Related Fees	37,420	-
Solar Project	50,000	50,000
Community Development and Other	27,042	23,670
	\$ 423,348	\$ 306,576

5. BOARD DESIGNATED NET ASSETS

The Board of Directors approved a "Board Designated Operating Reserve Fund" (the Fund) beginning January 1, 2018. The specific funding is discretionary. As of December 31, 2019 and 2018, the balance in this designated fund is \$0.

6. COMMITMENTS AND CONTINGENCIES

For the year ended December 31, 2019 the Organization has 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, 2019. For the years ended December 31, 2019 and 2018, rent expense totaled \$11,016 and \$10,550, respectively.

7. CONCENTRATIONS

During the year it is possible for AAH to maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 per financial institution/per organization on demand deposits, certificates of deposit, and money market accounts combined. As of December 31, 2019, balances exceeding FDIC insurance limits totaled \$409,610. Management considers the risk of loss relating to these bank accounts minimal.

ARLINGTON ACADEMY OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

8. LIQUIDITY

AAH has \$592,368 of liquid financial assets available for use within one year of the balance sheet date to meet cash needs for general expenditures and donor or other contractual restrictions. Liquid financial assets as of December 31, 2019 consists of cash of \$696,344, grants and pledges receivable of \$90,000, and prepaid expenses of \$3,000

Financial assets subject to donor or other contractual restrictions total \$306,576 making them unavailable for general expenditure within one year of the balance sheet date.

The grants and pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

AAH's has a goal to maintain liquid, non-committed financial assets, which consist of cash and money market funds, on hand to meet on average 12 months of normal operating expenses, which are, on average, approximately \$20,000 per month.

AAH policy is to structure its liquid financial assets to be available as its general expenditures, liabilities, and donor obligations come due.

9. *SUBSEQUENT EVENTS*

Subsequent events have been reviewed through July 27, 2020. All items affecting the financial statements for December 31, 2019 have been included in the accompanying financial statements and related disclosures.

ARLINGTON ACADEMY OF HOPE
 SUPPLEMENTAL INFORMATION
 CALCULATION OF ACTUAL INDIRECT COST RATE
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Programs (a)	Fund Raising (b)	Total Direct Cost (a+b) = c	Administrative and General (d)	Overhead Rate (d)/(c)
2018	\$ 732,523	\$ 83,939	\$ 816,462	\$ 125,330	15.35%
2018	\$ 732,789	\$ 80,616	\$ 813,405	\$ 107,912	13.27%

Fund raising expenses for the purpose of this calculation includes fund raising events direct expenses which are included on the Statement of Activities for the year ended December 31, 2019 and 2018 as an offset to event revenue.