
**American Association of
the Deaf-Blind, Inc.**

**Financial Statements and Report of
Independent Certified Public
Accountants**

December 31, 2009 and 2008

LSWG

Linton Shafer Warfield & Garrett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
American Association of the Deaf-Blind, Inc.

We have audited the accompanying statements of financial position of the American Association of the Deaf-Blind, Inc. (a non-profit organization) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 evaluating the overall financial statement presentation. We believe that our audits provide 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 American Association of the Deaf-Blind, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note 10 to the financial statements, the Association has suffered a significant reduction in contribution revenue that raises substantial doubt about its ability to continue as a going concern. Management plans regarding this matter also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

July 23, 2010

Linton Shafer Warfield & Garrett

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Statements of Financial Position

For the Years Ended December 31,

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash	\$ 139,901	\$ 40,672
Investment	72,290	189,737
Accounts receivable	12,207	10,831
Deposits	4,802	4,802
Prepaid expenses	9,564	1,928
Total Current Assets	<u>238,764</u>	<u>247,970</u>
Property and Equipment at Cost		
Furniture	5,153	5,353
Office equipment	26,615	26,615
Less: accumulated depreciation	<u>(29,913)</u>	<u>(28,544)</u>
Net Property and Equipment	<u>1,855</u>	<u>3,424</u>
Total Assets	<u><u>\$ 240,619</u></u>	<u><u>\$ 251,394</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,563	\$ 1,997
Payroll taxes withheld	4,199	4,431
Retirement payable	1,477	1,477
Accrued salaries and vacation	<u>13,307</u>	<u>10,865</u>
Total Liabilities	22,546	18,770
Net Assets		
Unrestricted	200,687	216,297
Temporarily Restricted	<u>17,386</u>	<u>16,327</u>
Total Net Assets	<u>218,073</u>	<u>232,624</u>
Total Liabilities and Unrestricted Net Assets	<u><u>\$ 240,619</u></u>	<u><u>\$ 251,394</u></u>

The accompanying notes are an integral part of these statements.

**Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions - UDS	\$ 595,606	\$ -	\$ 595,606
Contributions	282,614	11,372	293,986
Grant income	-	10,000	10,000
Membership dues	5,940	-	5,940
Interest and dividends	3,836	-	3,836
Other income	17,226	-	17,226
Released from restriction	<u>20,313</u>	<u>(20,313)</u>	<u>-</u>
 Total Revenues	 925,535	 1,059	 926,594
 Expenses			
Program services	190,957	-	190,957
Supporting services			
Management and general	102,045	-	102,045
Fundraising	<u>648,143</u>	<u>-</u>	<u>648,143</u>
 Total Expenses	 <u>941,145</u>	 <u>-</u>	 <u>941,145</u>
 Change in net assets	 (15,610)	 1,059	 (14,551)
 Net Assets - Beginning of Year	 <u>216,297</u>	 <u>16,327</u>	 <u>232,624</u>
 Net Assets - End of Year	 <u>\$ 200,687</u>	 <u>\$ 17,386</u>	 <u>\$ 218,073</u>

The accompanying notes are an integral part of this statement.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions - UDS	\$ 580,968	\$ -	\$ 580,968
Contributions - other	294,507	8,890	303,397
Grant income	5,000	10,500	15,500
Membership dues	4,850	-	4,850
Interest and dividends	6,989	-	6,989
Other income	15,956	-	15,956
Increase in cash surrender value of annuity	5,549	-	5,549
Released from restriction	<u>14,277</u>	<u>(14,277)</u>	<u>-</u>
 Total Revenues	 928,096	 5,113	 933,209
 Expenses			
Program services	202,310	-	202,310
Supporting services			
Management and general	97,558	-	97,558
Fundraising	<u>638,290</u>	<u>-</u>	<u>638,290</u>
 Total Expenses	 <u>938,158</u>	 <u>-</u>	 <u>938,158</u>
 Change in net assets	 (10,062)	 5,113	 (4,949)
 Net Assets - Beginning of Year	 234,162	 3,411	 237,573
 Transfer from unrestricted	 <u>(7,803)</u>	 <u>7,803</u>	 <u>-</u>
 Net Assets - End of Year	 <u>\$ 216,297</u>	 <u>\$ 16,327</u>	 <u>\$ 232,624</u>

The accompanying notes are an integral part of this statement.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2009 (with comparative totals for 2008)

Expenses	Program Services	Mgmt. & General	Fund- raising	Total 2009	Total 2008
Salaries	\$ 108,673	\$ 52,501	\$ 12,756	\$ 173,930	\$ 171,956
Payroll taxes	8,496	3,920	997	13,413	13,159
Dental and health	6,819	3,146	800	10,765	10,202
Workers compensation	249	115	29	393	730
Retirement	2,284	1,054	268	3,606	3,605
Professional development	371	171	43	585	-
Technical writer	-	750	-	750	-
Telemarketing	-	-	613,917	613,917	604,341
Travel	1,989	-	3	1,992	2,754
Rent	20,755	9,577	2,436	32,768	31,481
Telephone	1,965	347	-	2,312	2,051
Office supplies	679	313	80	1,072	1,011
Accounting	-	9,108	-	9,108	9,453
Technology	-	2,594	-	2,594	1,530
Caging expense	-	-	11,202	11,202	12,129
Meetings	6,166	1,542	-	7,708	17,449
Miscellaneous	127	58	15	200	-
NIFDBI & Honoraria	11,967	-	-	11,967	11,746
Furniture and equipment	-	578	-	578	-
Insurance	1,866	1,866	-	3,732	3,635
Braille Services	1,173	1,173	-	2,346	3,655
Registration fees	-	-	3,716	3,716	3,575
Depreciation	993	458	117	1,568	2,071
Legal	-	5,838	-	5,838	6,305
Bank charges	8,162	3,766	958	12,886	8,130
Parking	652	301	77	1,030	1,033
Postage	1,016	469	119	1,604	813
Membership fee	317	146	37	500	500
Multimedia Project	1,150	531	135	1,816	8,119
Interpreters	1,354	-	-	1,354	952
Printing	3,734	1,723	438	5,895	5,773
Total Expenses	\$ 190,957	\$ 102,045	\$ 648,143	\$ 941,145	\$ 938,158

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Statements of Cash Flows

For the Years Ended December 31,

	<u>2008</u>	<u>2008</u>
INCREASE (DECREASE) IN CASH		
Cash Flows from Operating Activities		
Changes in net assets	\$ (14,551)	\$ (4,949)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,568	2,071
Increase in cash surrender value of annuity	-	(5,549)
Changes in assets and liabilities		
Accounts receivable	(1,376)	17,905
Prepaid expense	(7,635)	1,842
Payroll taxes withheld	(232)	439
Accrued salaries and vacation	2,442	1,833
Retirement payable	-	4
Accounts payable	<u>1,566</u>	<u>(6,842)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(18,218)</u>	<u>6,754</u>
Cash Flows from Investing Activities		
Purchase of investments	(2,469)	(6,895)
Proceeds from sale of investments	119,916	
Purchase of equipment	<u>-</u>	<u>(1,386)</u>
Net Cash Provided by (Used in) Investing Activities	<u>117,447</u>	<u>(8,281)</u>
Increase (decrease) in cash	99,229	(1,527)
Cash Balance - Beginning of Year	<u>40,672</u>	<u>42,199</u>
Cash Balance - End of Year	<u>\$ 139,901</u>	<u>\$ 40,672</u>
Supplemental Information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2009 and 2008

1. Organization

American Association of the Deaf-Blind, Inc., (AADB) is a Maryland corporation organized under the general nonprofit corporation law of the State of Maryland. The Association also qualifies under Section 501(c)(3) of the Internal Revenue Code, which allows operation as a nonprofit organization that is exempt from income taxes. The Association is a national consumer organization benefiting Americans with dual vision and hearing loss. They publish large type and braille magazines, organize conventions, and demonstrate new products to the deaf and blind.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The Association presents its financial statements on the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

According to Financial Accounting Standards Board (FASB) Codification Standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted. In addition, the Association is required to present a statement of cash flows. The Association's financial statements present the three classes of net assets, which are defined as follows:

- **Unrestricted Net Assets** - represent resources that are currently available for support of the Association's operations.
- **Temporarily Restricted Net Assets** - represent resources that may be utilized only in accordance with the restricted purposes established by the provider of such funds. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as funds released from temporary restrictions.
- **Permanently Restricted Net Assets** - represent resources for which the principal is to be maintained intact and the income, including appreciation in market value, may only be spent in accordance with the intent of the donor. The Association currently does not have any permanently restricted funds.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

(b) Property and Equipment

The Association records depreciation on its furniture and equipment in accordance with generally accepted accounting principles.

The Association's policy is to capitalize all expenditures for furniture and equipment in excess of \$200 and that benefit more than one accounting period. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which is five years.

When fixed assets are retired or otherwise disposed of, the cost is removed from the asset account and the related accumulated depreciation is adjusted with the difference being charged to income as either a gain or loss on disposal. Maintenance and repairs are charged to expense as incurred.

(c) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. If amounts become uncollectible, they will be charged to operations when that determination is made.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

(e) Concentration of Credit Risk

The Company maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured balances at December 31, 2009. The Association has not experienced any losses in such financial institutions and believes it is not exposed to any significant credit risk on cash.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

(f) Investments

According to Financial Accounting Standards Board (FASB) Codification Standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

(g) Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) Fair Value

Financial Accounting Standards Board (FASB) Codification Standards defines fair value, establishes a framework for measuring fair value, expands disclosures about fair value measurements and establishes a hierarchy for valuation inputs.

The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

3. Officers

The Board of Directors are elected by the members for a term of four years. Officers for the year ended December 31, 2009, are as follows:

Dan Arabie	President
Timothy Jackson	Vice President
Debby Lieberman	Secretary
Michael Reese	Treasurer

4. Support and Revenue

Income to the Association consists primarily of membership dues, grants and donations.

5. Lease Commitments

The Association is currently occupying space in the building located at 8630 Fenton Street, Silver Spring, Maryland, which expires March 31, 2013. The base rent is \$2,401 per month with 4% increases each year. Total rent expense for the years ended December 31, 2009 and 2008 were \$32,768 and \$31,481, respectively. The Association's obligations under the leases are as follows:

2010	\$ 34,050
2011	35,412
2012	36,829
2013	9,297

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Notes to Financial Statements

December 31, 2009 and 2008

6. Fund-Raising Expenses

The Association has contracted with United Deaf Services (UDS), a division of Heritage Publishing Company of North Little Rock, Arkansas, to conduct a public relations and fund-raising campaign in the Association's name throughout the United States. During 2006, the Association renewed their contract with UDS for the years 2007 through 2009. As stated in the American Institute of Certified Public Accountant's (AICPA) Statement of Position No. 98-2, an organization may allocate program, management and general, and fund-raising costs associated with a fund-raising activity if the following three criteria have been met; purpose, audience, and content. Since the Association has not met all three criteria, all of the costs of this campaign have been reported as fund-raising costs (telemarketing expenses) in these financial statements. This contract was not renewed.

7. Retirement

The Association has a Simple IRA Retirement Plan covering eligible employees. Eligible employees are those full-time and have one year of service with the Association. The Association matched up to 3% of employee's annual salary if they make a similar contribution to the plan. Employer contributions to the plan are vested when the contribution is made. For the years ended December 31, 2009 and 2008 retirement expense was \$3,606 and \$3,605 respectively.

8. Investments

Investments at December 31, 2009 and 2008, which are all considered level 1, consist of the following:

	<u>2009</u>	<u>2008</u>
Certificate of deposit	\$ 72,290	\$ 69,821
Life insurance annuity	-	119,916
Total Investments	<u>\$ 72,290</u>	<u>\$ 189,737</u>

The Association invests in a professionally managed portfolio that contains an annuity fund and a certificate of deposit. Such investments are exposed to various risks such as interest rates, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2009 and 2008

9. Temporarily Restricted Net Assets

Activity in temporarily net assets is as follows:

	Balance			Balance
	12/31/2008	Revenue	Expenses	12/31/2009
Advocacy and Awareness	\$ -	\$ 250	\$ -	\$ 250
NFDBI meeting	10,741	10,000	11,967	8,774
Task force	922	800	-	1,722
SSP meals and lodging	459	475	-	934
Conference participants	3,880	1,480	-	5,360
Conference - general	325	-		325
Braille honorarium	-	2,367	2,346	21
Dinner Sponsorship	-	6,000	6,000	-
Total Temporarily Restricted Net Assets	<u>\$ 16,327</u>	<u>\$ 21,372</u>	<u>\$ 20,313</u>	<u>\$ 17,386</u>

10. Going Concern Uncertainty and Subsequent Event

As described in Note 6, the Association did not renew its telemarketing contract with United Deaf Services. Declining contribution revenue attributable to this change and declines in economic conditions have not been sufficient to sustain the Association with full staff, and have had a significant negative impact on cash flow in year 2010. To avoid negative cash flows, the Board of Directors reduced expenses by terminating the entire staff in July 2010, and appointed an individual to manage the operations of the Association on a voluntary basis. For the Fall 2010 fundraising campaign, the Association will employ a combination of fundraising strategies internally to include, solicitation of contributions using direct mail, online, telephone, fax, and social networks. Contributions raised by this internal strategy will be credited fully to the Association, and not shared with a third party, ensuring that the donor's contributions will be used more to fund program service activities and less for fundraising. A new telemarketing firm will also be retained with their service fee based on a fixed fee arrangement rather than a percentage of contributions. This change in the telemarketing fee is expected to reduce fund raising costs by approximately \$400,000 annually.