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

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

**For the Years Ended
December 31, 2010 and 2009**

LSWG

Linton Shafer Warfield & Garrett, P.A.
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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, 2010 and 2009, 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, 2010 and 2009, 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.

Linton Shafer Warfield & Garrett, P.A.

July 13, 2011

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Statements of Financial Position For the Years Ended December 31,

| | <u>2010</u> | <u>2009</u> |
|---|------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 81,640 | \$ 139,901 |
| Investment | - | 72,290 |
| Accounts receivable | 535 | 12,207 |
| Deposits | 4,802 | 4,802 |
| Prepaid expenses | 1,028 | 9,564 |
| Total Current Assets | <u>88,005</u> | <u>238,764</u> |
| Property and Equipment at Cost | | |
| Furniture | 4,372 | 5,153 |
| Office equipment | 23,724 | 26,615 |
| Less: accumulated depreciation | <u>(27,234)</u> | <u>(29,913)</u> |
| Net Property and Equipment | <u>862</u> | <u>1,855</u> |
| Total Assets | <u>\$ 88,867</u> | <u>\$ 240,619</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 7,705 | \$ 3,563 |
| Payroll taxes withheld | - | 4,199 |
| Retirement payable | 2,256 | 1,477 |
| Deferred revenue | 3,960 | - |
| Accrued salaries and vacation | 1,286 | 13,307 |
| Total Liabilities | <u>15,207</u> | <u>22,546</u> |
| Net Assets | | |
| Unrestricted | 56,089 | 200,687 |
| Temporarily Restricted | 17,571 | 17,386 |
| Total Net Assets | <u>73,660</u> | <u>218,073</u> |
| Total Liabilities and Net Assets | <u>\$ 88,867</u> | <u>\$ 240,619</u> |

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Statement of Activities and Change in Net Assets

For the Year Ended December 31, 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--------------------------------|---------------------|-----------------------------------|------------------|
| Revenues | | | |
| Contributions - UDS | \$ 48,934 | \$ - | \$ 48,934 |
| Contributions - other | 60,491 | 20,310 | 80,801 |
| Membership dues | 8,726 | - | 8,726 |
| Direct mailing | 56,327 | - | 56,327 |
| Interest and dividends | 1,296 | - | 1,296 |
| Other income | 10,073 | - | 10,073 |
| Released from restriction | <u>20,125</u> | <u>(20,125)</u> | <u>-</u> |
| Total Revenues | 205,972 | 185 | 206,157 |
| Expenses | | | |
| Program services | 131,419 | - | 131,419 |
| Supporting services | | | |
| Management and general | 59,785 | - | 59,785 |
| Fundraising | <u>159,366</u> | <u>-</u> | <u>159,366</u> |
| Total Expenses | <u>350,570</u> | <u>-</u> | <u>350,570</u> |
| Change in net assets | (144,598) | 185 | (144,413) |
| Net Assets - Beginning of Year | <u>200,687</u> | <u>17,386</u> | <u>218,073</u> |
| Net Assets - End of Year | <u>\$ 56,089</u> | <u>\$ 17,571</u> | <u>\$ 73,660</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, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|------------------------------------|-----------------------|-----------------------------------|-----------------------|
| Revenues | | | |
| Contributions - UDS | \$ 595,606 | \$ - | \$ 595,606 |
| Contributions - other | 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 Functional Expenses

For the Year Ended December 31, 2010 (with comparative totals for 2009)

| | Program Services | Mgmt. & General | Fund- raising | Total 2010 | Total 2009 |
|--------------------------|---------------------|--------------------|-------------------|-------------------|-------------------|
| Salaries | \$ 67,651 | \$ 18,079 | \$ 7,948 | \$ 93,678 | \$ 173,930 |
| Payroll taxes | 4,909 | 2,247 | 577 | 7,733 | 13,413 |
| Dental and health | 4,314 | 1,975 | 507 | 6,796 | 10,765 |
| Workers compensation | 397 | 182 | 47 | 626 | 393 |
| Retirement | 1,342 | 614 | 158 | 2,114 | 3,606 |
| Professional development | - | - | - | - | 585 |
| Technical writer | - | - | - | - | 750 |
| Direct mailing | - | - | 69,419 | 69,419 | - |
| Fundraising | - | - | 20,686 | 20,686 | - |
| Telemarketing | - | - | 48,934 | 48,934 | 613,917 |
| Travel | 1,882 | - | 3 | 1,885 | 1,992 |
| Rent | 21,633 | 9,903 | 2,542 | 34,078 | 32,768 |
| Telephone | 1,993 | 352 | - | 2,345 | 2,312 |
| Office supplies | 694 | 317 | 81 | 1,092 | 1,072 |
| Accounting | - | 9,118 | - | 9,118 | 9,108 |
| Technology | - | 294 | - | 294 | 2,594 |
| Caging expense | - | - | 3,538 | 3,538 | 11,202 |
| Meetings | 10,138 | 2,535 | - | 12,673 | 7,708 |
| Miscellaneous | 136 | 62 | 15 | 213 | 200 |
| NTFDBI & honoraria | 4,464 | - | - | 4,464 | 11,967 |
| Furniture & equipment | - | - | - | - | 578 |
| Insurance | 2,044 | 2,045 | - | 4,089 | 3,732 |
| Braille services | 402 | 402 | - | 804 | 2,346 |
| Registration fees | - | - | 3,804 | 3,804 | 3,716 |
| Depreciation | 630 | 289 | 74 | 993 | 1,568 |
| Legal | - | 7,346 | - | 7,346 | 5,838 |
| Bank charges | 4,080 | 1,868 | 479 | 6,427 | 12,886 |
| Parking | 469 | 215 | 55 | 739 | 1,030 |
| Postage | 790 | 362 | 93 | 1,245 | 1,604 |
| Membership fee | - | - | - | - | 500 |
| Multimedia project | - | - | - | - | 1,816 |
| Interpreters | - | - | - | - | 1,354 |
| Printing | 3,451 | 1,580 | 406 | 5,437 | 5,895 |
| Total Expenses | \$ 131,419 | \$ 59,785 | \$ 159,366 | \$ 350,570 | \$ 941,145 |

The accompanying notes is an integral part of this statement.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Statements of Cash Flows

For the Years Ended December 31,

| | 2010 | 2009 |
|--|--------------|-------------|
| INCREASE (DECREASE) IN CASH | | |
| Cash Flows from Operating Activities | | |
| Changes in net assets | \$ (144,413) | \$ (14,551) |
| Adjustments to reconcile changes in net assets to net cash used in operating activities | | |
| Depreciation | 993 | 1,568 |
| Changes in assets and liabilities | | |
| Accounts receivable | 11,672 | (1,376) |
| Prepaid expense | 8,536 | (7,635) |
| Payroll taxes withheld | (4,199) | (232) |
| Accrued salaries and vacation | (12,021) | 2,442 |
| Retirement payable | 779 | - |
| Deferred revenue | 3,960 | - |
| Accounts payable | 4,142 | 1,566 |
| Net Cash Used in Operating Activities | (130,551) | (18,218) |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (1,284) | (2,469) |
| Proceeds from sale of investments | 73,574 | 119,916 |
| Net Cash Provided by Investing Activities | 72,290 | 117,447 |
| Increase (decrease) in cash | (58,261) | 99,229 |
| Cash Balance - Beginning of Year | 139,901 | 40,672 |
| Cash Balance - End of Year | \$ 81,640 | \$ 139,901 |
| Supplemental Information: | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2010 and 2009

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 provide information, referral and technical assistance on topics relates to deaf-blind issues; collaborate with the Registry of Interpreters for the Deaf and the National Consortium of Interpreter Education Centers to enhance the quality of interpreting services for deaf-blind people, and increase the number of interpreters qualified to work with them; sponsor a listserv for members where people can discuss important issues in the deaf-blind community and offer feedback on AADB's programs and services; organize national conferences where hundreds of people come together for support and networking, and to learn about such issues as leadership and employment; publish a monthly e-newsletter highlighting updates within AADB and the national deaf-blind community; and work with legislators, product developers and other entities on behalf of deaf-blind people.

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:

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Presentation (continued)

- **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.

(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.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

(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, 2010. The Association has not experienced any losses in such financial institutions and believes it is not exposed to any significant credit risk on cash.

(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.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- 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.
- 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, 2010, are as follows:

| | |
|-----------------|----------------|
| Tim Jackson | President |
| Jill Robe-Gaus | Vice President |
| Debby Lieberman | Secretary |
| Michael Reese | Treasurer |

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

Notes to Financial Statements

December 31, 2010 and 2009

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, 2010 and 2009 were \$34,078 and \$32,768, respectively. The Association's obligations under the leases are as follows:

| | |
|------|-----------|
| 2011 | \$ 35,412 |
| 2012 | 36,829 |
| 2013 | 9,297 |

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 beyond year 2009.

AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.
Notes to Financial Statements
December 31, 2010 and 2009

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, 2010 and 2009 retirement expense was \$2,114 and \$3,606 respectively.

8. Investments

Investments at December 31, 2010 and 2009, which are all considered level 1, consist of the following:

| | <u>2010</u> | <u>2009</u> |
|------------------------|-------------|------------------|
| Certificate of deposit | \$ - | \$ 72,290 |
| Total Investments | <u>\$ -</u> | <u>\$ 72,290</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, 2010 and 2009

9. Temporarily Restricted Net Assets

Activity in temporarily net assets is as follows:

| | Balance | | | Balance |
|--|-------------------|------------------|------------------|-------------------|
| | 12/31/2009 | Revenue | Expenses | 12/31/2010 |
| Advocacy and Awareness | \$ 250 | \$ - | \$ - | \$ 250 |
| NFDBI meeting | 8,774 | 5,010 | 5,104 | 8,680 |
| Task force | 1,722 | 300 | - | 2,022 |
| SSP meals and lodging | 934 | - | - | 934 |
| Conference participants | 5,360 | - | - | 5,360 |
| Conference - general | 325 | - | - | 325 |
| Braille honorarium | 21 | - | 21 | - |
| Development | - | 5,000 | 5,000 | - |
| Administration | - | 5,000 | 5,000 | - |
| Consultants | - | 5,000 | 5,000 | - |
| Total Temporarily Restricted Net Assets | <u>\$ 17,386</u> | <u>\$ 20,310</u> | <u>\$ 20,125</u> | <u>\$ 17,571</u> |

10. Going Concern Uncertainty and Subsequent Event

As described in Note 6, the Association did not renew its contract with United Deaf Services for fundraising efforts beyond year 2009. Declining contribution revenue attributable to this change and declines in economic conditions have not been sufficient to sustain the Association and have had a significant negative impact on cash flows for 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. The Association will continue its fundraising efforts internally in order to fund ongoing operations.