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.
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, 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.

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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,

	2010	2009
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	88,005	238,764
Property and Equipment at Cost		
Furniture	4,372	5,153
Office equipment	23,724	26,615
Less: accumulated depreciation	(27,234)	(29,913)
Net Property and Equipment	862	1,855
Total Assets	$ 88,867	$ 240,619
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	15,207	22,546
Net Assets		
Unrestricted	56,089	200,687
Temporarily Restricted	17,571	17,386
Total Net Assets	73,660	218,073
Total Liabilities and Net Assets	$ 88,867	$ 240,619

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

	Unrestricted	Temporarily Restricted	Total
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	20,125	(20,125)	-
Total Revenues	205,972	185	206,157
Expenses			
Program services	131,419	-	131,419
Supporting services			
Management and general	59,785	-	59,785
Fundraising	159,366	-	159,366
Total Expenses	350,570	-	350,570
Change in net assets	(144,598)	185	(144,413)
Net Assets - Beginning of Year	200,687	17,386	218,073
Net Assets - End of Year	$ 56,089	$ 17,571	$ 73,660

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

	Unrestricted	Temporarily Restricted	Total
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	20,313	(20,313)	-
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	648,143	-	648,143
Total Expenses	941,145	-	941,145
Change in net assets	(15,610)	1,059	(14,551)
Net Assets - Beginning of Year	216,297	16,327	232,624
Net Assets - End of Year	$ 200,687	$ 17,386	$ 218,073

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:

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.

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.

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

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.

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:

	2010	2009
Certificate of deposit	$ -	$ 72,290
Total Investments	$ -	$ 72,290

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.

9. Temporarily Restricted Net Assets

Activity in temporarily net assets is as follows:

	Balance 12/31/2009	Revenue	Expenses	Balance 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	$ 17,386	$ 20,310	$ 20,125	$ 17,571

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.