

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

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

**December 31, 2008 and 2007**

## **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, 2008 and 2007, 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, 2008 and 2007, 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.

May 13, 2009

*Linton Shafer Warfield & Garrett, P. A.*

# AMERICAN ASSOCIATION OF THE DEAF-BLIND, INC.

## Statements of Financial Position For the Years Ended December 31,

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 40,672	\$ 42,199
Investment	189,737	177,292
Accounts receivable	10,831	28,736
Deposits	4,802	4,802
Prepaid expenses	<u>1,928</u>	<u>3,771</u>
Total Current Assets	<u>247,970</u>	<u>256,800</u>
<b>Property and Equipment at Cost</b>		
Furniture	5,353	5,353
Office equipment	26,615	25,229
Less: accumulated depreciation	<u>(28,544)</u>	<u>(26,473)</u>
Net Property and Equipment	<u>3,424</u>	<u>4,109</u>
<b>Total Assets</b>	<u>\$ 251,394</u>	<u>\$ 260,909</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,997	\$ 8,839
Payroll taxes withheld	4,431	3,992
Retirement payable	1,477	1,473
Accrued salaries and vacation	10,865	9,032
<b>Total Liabilities</b>	18,770	23,336
<b>Net Assets</b>		
Unrestricted	216,297	234,162
Temporarily Restricted	<u>16,327</u>	<u>3,411</u>
<b>Total Net Assets</b>	232,624	237,573
<b>Total Liabilities and Unrestricted Net Assets</b>	<u>\$ 251,394</u>	<u>\$ 260,909</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, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues</b>			
Contributions - UDS	\$ 580,968	\$ -	\$ 580,968
Contributions	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
 <b>Expenses</b>			
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 Activities and Change in Net Assets**  
**For the Year Ended December 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues</b>			
Contributions - UDS	\$ 579,969	\$ -	\$ 579,969
Contributions - other	286,822	5,847	292,669
Grant income	17,500	-	17,500
Membership dues	17,470	-	17,470
Interest and dividends	6,522	-	6,522
Other income	805	-	805
Increase in cash surrender value of annuity	3,739	-	3,739
Released from restriction	<u>2,436</u>	<u>(2,436)</u>	<u>-</u>
 Total Revenues	 915,263	 3,411	 918,674
 <b>Expenses</b>			
Program services	224,080	-	224,080
Supporting services			
Management and general	106,302	-	106,302
Fundraising	<u>608,977</u>	<u>-</u>	<u>608,977</u>
 Total Expenses	 <u>939,359</u>	 <u>-</u>	 <u>939,359</u>
 Change in net assets	 (24,096)	 3,411	 (20,685)
 Net Assets - Beginning of Year	 <u>258,258</u>	 <u>-</u>	 <u>258,258</u>
 Net Assets - End of Year	 <u>\$ 234,162</u>	 <u>\$ 3,411</u>	 <u>\$ 237,573</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, 2008 (with comparative totals for 2007)**

<b>Expenses</b>	<b>Program Services</b>	<b>Mgmt. &amp; General</b>	<b>Fund- raising</b>	<b>Total 2008</b>	<b>Total 2007</b>
Salaries	\$ 111,447	\$ 48,386	\$ 12,123	\$ 171,956	\$ 162,499
Payroll taxes	8,528	3,703	928	13,159	12,648
Dental and health	6,612	2,871	719	10,202	8,661
Workers compensation	473	205	52	730	931
Retirement	2,337	1,014	254	3,605	4,250
Recruiting	-	-	-	-	375
Temporary help	-	-	-	-	82
Outreach coordinator	-	-	-	-	25
Telemarketing	-	-	604,341	604,341	584,465
Convention	-	-	-	-	556
Magazine	-	-	-	-	3,045
Travel	2,754	-	-	2,754	4,240
Rent	20,404	8,858	2,219	31,481	30,416
Telephone	1,743	308	-	2,051	2,004
Office supplies	655	285	71	1,011	3,613
Accounting	-	9,453	-	9,453	9,281
Technology	-	1,530	-	1,530	3,850
Caging expense	-	-	12,129	12,129	10,922
Meetings	13,959	3,490	-	17,449	40,922
NIFDBI & Honoraria	11,746	-	-	11,746	10,753
Insurance	1,818	1,817	-	3,635	4,255
Braille Services	1,828	1,827	-	3,655	4,913
Registration fees	-	-	3,575	3,575	3,583
Depreciation	1,342	583	146	2,071	1,792
Legal	-	6,305	-	6,305	8,839
Bank charges	5,269	2,288	573	8,130	6,938
Parking	669	291	73	1,033	805
Postage	527	229	57	813	1,047
Membership fee	324	141	35	500	700
Multimedia Project	5,262	2,285	572	8,119	6,528
Interpreters	871	65	16	952	80
Printing	3,742	1,624	407	5,773	6,341
<b>Total Expenses</b>	<b>\$ 202,310</b>	<b>\$ 97,558</b>	<b>\$ 638,290</b>	<b>\$ 938,158</b>	<b>\$ 939,359</b>

**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>2007</u>
<b>INCREASE (DECREASE) IN CASH</b>		
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (4,949)	\$ (20,685)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,071	1,792
Increase in cash surrender value of annuity	(5,549)	(3,739)
Changes in assets and liabilities		
Accounts receivable	17,905	(12,143)
Prepaid expense	1,842	448
Payroll taxes withheld	439	100
Accrued salaries and vacation	1,833	(1,007)
Retirement payable	4	-
Accounts payable	<u>(6,842)</u>	<u>1,177</u>
Net Cash Provided by (Used in) Operating Activities	<u>6,754</u>	<u>(34,057)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(6,895)	(6,297)
Purchase of equipment	<u>(1,386)</u>	<u>(1,540)</u>
Net Cash Used in Investing Activities	(8,281)	(7,837)
Decrease in cash	(1,527)	(41,894)
Cash Balance - Beginning of Year	42,199	84,093
Cash Balance - End of Year	<u>\$ 40,672</u>	<u>\$ 42,199</u>
<b>Supplemental Information:</b>		
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, 2008 and 2007**

**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.

The Association has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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, 2008 and 2007**

**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, 2008. 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, 2008 and 2007**

**2. Summary of Significant Accounting Policies (continued)**

**(f) Investments**

The Association has adopted SFAS No. 124 “Accounting for Certain Investments Held by Not-for-Profit Organizations.” Under SFAS No. 124, 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**

The Association adopted SFAS 157 Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and 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, 2008 and 2007**

**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, 2008, are as follows:

Arthur Roehrig	President
Vincent Lee Clark	Vice President
Marilyn Fernandez-Trader	Secretary
Jeffrey Bohrman	Treasurer

**4. Support and Revenue**

Income to the Association consists primarily of membership dues, convention registration, 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, 2008. The base rent is \$2,401 per month with 3% increases each year. The lease has been amended for a five year term expiring March 31, 2013. The base rent will increase each year by 4%. Total rent expense for the years ended December 31, 2008 and 2007 were \$31,481 and \$30,416, respectively. The Association's obligations under the leases are as follows:

2009	\$ 32,741
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, 2008 and 2007**

**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.

**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.

**8. Investments**

Investments at December 31, 2008 and 2007, which are all considered level 1, consist of the following:

	<u>2008</u>	<u>2007</u>
Certificate of deposit	\$ 69,821	\$ 66,981
Life insurance annuity	<u>119,916</u>	<u>110,312</u>
Total Investments	<u>\$ 189,737</u>	<u>\$ 177,293</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, 2008 and 2007**

**9. Temporarily Restricted Net Assets**

Activity in temporarily net assets is as follows:

	<b>Balance</b>	<b>Transfer from</b>			<b>Balance</b>
	<b>12/31/2007</b>	<b>Unrestricted</b>	<b>Revenue</b>	<b>Expenses</b>	<b>12/31/2008</b>
Advocacy and Awareness	\$ 655	\$ -	\$ 1,491	\$ 2,146	\$ -
NFDBI meeting	-	6,747	15,600	11,606	10,741
Task force	147	775	-	-	922
SSP meals and lodging	334	125	-	-	459
Conference participants	2,275	(169)	1,774	-	3,880
Conference - general	-	325	-	-	325
Braille materials	-	-	25	25	-
Braille honorarium	-	-	500	500	-
<b>Total Temporarily</b>					
<b>Restricted Net Assets</b>	<b><u>\$ 3,411</u></b>	<b><u>\$ 7,803</u></b>	<b><u>\$ 19,390</u></b>	<b><u>\$ 14,277</u></b>	<b><u>\$ 16,327</u></b>

**10. Related Parties**

In 2008 and 2007, the Association's paid the husband of an officer of AADB for interpreting services. Fees paid to him were \$718 and \$945 for fiscal years ended December 31, 2008 and 2007 respectively.