

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2011**

# HANDICAP INTERNATIONAL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Handicap International  
Takoma Park, Maryland

We have audited the accompanying statement of financial position of Handicap International (HI-US) (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and change 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 the entity'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 HI-US as of December 31, 2012, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Report on Summarized Comparative Information**

We have previously audited HI-US's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2013 on our consideration of HI-US's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HI-US's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

Bethesda, Maryland  
April 22, 2013

**HANDICAP INTERNATIONAL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 941,806	\$ 620,635
Accounts receivable	28,605	3,708
Grants receivable	1,682,484	253,313
Due from HI-Federation (Note 6)	-	212,569
Prepaid expenses	<u>15,488</u>	<u>22,283</u>
Total current assets	<u>2,668,383</u>	<u>1,112,508</u>
<b>FIXED ASSETS</b>		
Equipment	26,741	16,791
Less: Accumulated depreciation and amortization	<u>(16,791)</u>	<u>(16,791)</u>
Net fixed assets	<u>9,950</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,678,333</u></b>	<b><u>\$ 1,112,508</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 62,126	\$ 509,996
Deferred revenue	-	1,992
HI-France grant payable (Note 6)	2,120,612	-
Due to HI-Federation Affiliated Organizations (Note 6)	<u>32,367</u>	<u>278</u>
Total current liabilities	<u>2,215,105</u>	<u>512,266</u>

**NET ASSETS**

Unrestricted	327,369	327,369
Temporarily restricted (Note 2)	<u>135,859</u>	<u>272,873</u>
Total net assets	<u>463,228</u>	<u>600,242</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,678,333</u></b>	<b><u>\$ 1,112,508</u></b>

## HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>			<u>2011</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Contributions	\$ -	\$ -	\$ -	\$ 1,512,096
Foundation grants (Note 6)	1,637,621	-	1,637,621	3,390,586
Government grants	3,199,738	-	3,199,738	330,988
Interest income	201	-	201	670
Bequest	838,146	-	838,146	-
Direct mail (Note 7)	464,718	-	464,718	483,331
Other revenue	1,992	-	1,992	-
Net assets released from donor restrictions (Note 3)	<u>137,014</u>	<u>(137,014)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,279,430</u>	<u>(137,014)</u>	<u>6,142,416</u>	<u>5,717,671</u>
<b>EXPENSES</b>				
Program Services	<u>5,093,810</u>	<u>-</u>	<u>5,093,810</u>	<u>2,936,040</u>
Supporting Services:				
Management and General	488,907	-	488,907	637,815
Fundraising	<u>696,713</u>	<u>-</u>	<u>696,713</u>	<u>1,870,943</u>
Total supporting services	<u>1,185,620</u>	<u>-</u>	<u>1,185,620</u>	<u>2,508,758</u>
Total expenses	<u>6,279,430</u>	<u>-</u>	<u>6,279,430</u>	<u>5,444,798</u>
Change in net assets	-	(137,014)	(137,014)	272,873
Net assets at beginning of year	<u>327,369</u>	<u>272,873</u>	<u>600,242</u>	<u>327,369</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 327,369</u></b>	<b><u>\$ 135,859</u></b>	<b><u>\$ 463,228</u></b>	<b><u>\$ 600,242</u></b>

**HANDICAP INTERNATIONAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		Management and General	Fundraising		
Salaries	\$ 324,216	\$ 210,986	\$ 100,744	\$ 635,946	\$ 533,078
Benefits (Note 5)	65,145	30,006	13,181	108,332	92,256
Payroll taxes	24,803	16,140	7,707	48,650	46,623
Legal	-	15,731	-	15,731	12,724
Consultants	25,283	28,664	623	54,570	46,695
Direct mail (Note 7)	133,785	-	535,140	668,925	2,023,334
Occupancy (Note 4)	44,251	27,473	12,996	84,720	78,949
Accounting and auditing services	-	51,916	-	51,916	74,598
Insurance	-	11,125	-	11,125	7,382
Communications	711	9,909	-	10,620	37,896
Travel	51,571	45,539	12,966	110,076	71,911
Postage and delivery	387	1,234	279	1,900	1,879
Supplies	5,885	20,094	4,890	30,869	27,931
Subscriptions and publications	21,066	2,298	3,087	26,451	25,628
Events and meeting	17,276	9,501	107	26,884	18,610
Bank fees	23	705	1,760	2,488	5,168
Grants (Note 6)	4,379,044	-	-	4,379,044	2,301,097
Other operating expenses	364	7,586	3,233	11,183	36,871
Depreciation and amortization	-	-	-	-	2,168
<b>TOTAL</b>	<b><u>\$ 5,093,810</u></b>	<b><u>\$ 488,907</u></b>	<b><u>\$ 696,713</u></b>	<b><u>\$ 6,279,430</u></b>	<b><u>\$ 5,444,798</u></b>

See accompanying notes to financial statements.

**HANDICAP INTERNATIONAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (137,014)	\$ 272,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	-	2,168
(Increase) decrease in:		
Accounts receivable	(24,897)	(3,708)
Grants receivable	(1,429,171)	(203,201)
Due from HI-Federation	212,569	70,276
Prepaid expenses	6,795	51,166
Increase (decrease) in:		
Accounts payable and accrued liabilities	(447,870)	346,208
Deferred revenue	(1,992)	(12,028)
HI-France grant payable	2,120,612	-
Due to HI-Federation Affiliated Organizations	<u>32,089</u>	<u>(147,224)</u>
Net cash provided by operating activities	<u>331,121</u>	<u>376,530</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>(9,950)</u>	<u>-</u>
Net cash used by investing activities	<u>(9,950)</u>	<u>-</u>
Net increase in cash and cash equivalents	321,171	376,530
Cash and cash equivalents at beginning of year	<u>620,635</u>	<u>244,105</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 941,806</u></b>	<b><u>\$ 620,635</u></b>



## HANDICAP INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Handicap International (HI-US) was incorporated in 2006 in the District of Columbia and is located in Takoma Park, Maryland. HI-US works to bring about lasting change in the living conditions of people in disabling situations in post-conflict or low-income countries around the world. They work with local partners to prevent and address the consequences of disabling accidents and diseases; clear landmines/UXO and prevent mine-related accidents through education; and the use of indiscriminate weapons that wound and kill the innocent long after the war is over; respond quickly and effectively to natural and civil disasters to limit serious and permanent injuries and assist survivors with social and economic reintegration; and advocate for the universal recognition of the rights of the disabled through national planning and advocacy.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, Not-for-Profit Entities.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HI-US's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

##### Combined financial statements -

The accompanying financial statements represent the activity of the HI-US only. The financial statements of HI-US have been combined with the HI Federation and affiliates in accordance with FASB ASC 958-810, Not-for-Profit Entities, Consolidation. The combined financial statements are available at the HI-US office.

##### Cash and cash equivalents -

HI-US considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). HI-US maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

##### Receivables -

Receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Fixed assets purchased with restricted grant funds are recorded as an expense and charged against the grant which provided the funds to purchase the property and equipment.

Income taxes -

HI-US is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. HI-US is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2012, HI-US has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of HI-US and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of HI-US and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

**HANDICAP INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Contributions and grants (continued) -

HI-US receives funding under grants and contracts from the U.S. Government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Foreign currency translation -

The U.S. dollar ("Dollars") is the functional currency for HI-US's operations worldwide. Transactions in currencies other than Dollars are translated into Dollars at the rates of exchange in effect during the month of the transaction.

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2012:

<b>Making it Work - Phase III</b>	<b>\$ <u>135,859</u></b>
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**3. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

<b>Making it Work - Phase III</b>	<b>\$ <u>137,014</u></b>
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**HANDICAP INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**4. LEASE COMMITMENT**

HI-US signed a five-year lease with the Takoma Business Center on June 1, 2010, which expires on May 31, 2015. Rent expense for the year ended December 31, 2012 was \$84,720. Future minimum payments are as follows at December 31, 2012:

**Year Ending December 31,**

2013	\$ 86,589
2014	89,187
2015	<u>37,618</u>
	<b><u>\$ 213,394</u></b>

**5. PENSION EXPENSE**

Effective April 15, 2007, HI-US established The Handicap International, Inc. Tax Deferred Annuity Plan (the Plan). All full-time HI-US employees are eligible to participate in the Plan. Plan contributions are made by participants through pre-tax payroll deductions. Plan contributions in the amount of \$600 per quarter will be made by the organization following satisfactory completion of the employee's initial three month probation period. In addition, HI-US matches a contribution of up to three percent of the participant's regular salary. Total pension expense for the year ended December 31, 2012 was \$30,869.

**6. RELATED PARTY TRANSACTIONS**

HI-US is a part of the Handicap International Federation (HI-Federation), comprised of eight national associations, which is headquartered in Lyon, France. HI-US solicits private and public funds, as well as provides program management through technical expertise, training, monitoring and evaluation, and grants administration. The HI-Federation reimburses HI-US for operational expenses. For the year ended December 31, 2012, operational support to HI-US totaled \$1,637,621. Additionally, HI-US expended \$4,379,044 in subgrants to the HI-Federation. HI-US and the HI-Federation also share three Board members. For the year ended December 31, 2012, HI-US owed HI-Federation \$2,120,612 and owed HI-Federation Affiliated Organizations \$32,367.

**7. ALLOCATION OF JOINT COSTS**

During the year ended December 31, 2012, HI-US incurred joint costs of \$668,925 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$535,140 was allocated to fundraising expense and \$133,785 was allocated to program services.

**8. CONTINGENCY**

HI-US receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. An audit in accordance with the provisions of OMB Circular A-133 has been completed for fiscal year 2012. Until such an audit has been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, HI-US has evaluated events and transactions for potential recognition or disclosure through April 22, 2013, the date the financial statements were issued.