

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

HANDICAP INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Handicap International
Takoma Park, Maryland

Report on the Financial Statements

We have audited the accompanying statement of financial position of Handicap International (HI-US), which comprise the statement of financial position as of December 31, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited HI-US's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I (14 - 16), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014 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.



June 11, 2014

HANDICAP INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 238,765	\$ 941,806
Accounts receivable	47,357	28,605
Grants receivable - Foundations	260,415	-
Grants receivable - Federal	2,124,261	1,682,484
Prepaid expenses	<u>11,505</u>	<u>15,488</u>
Total current assets	<u>2,682,303</u>	<u>2,668,383</u>
FIXED ASSETS		
Equipment	26,741	26,741
Less: Accumulated depreciation	<u>(19,275)</u>	<u>(16,791)</u>
Net fixed assets	<u>7,466</u>	<u>9,950</u>
TOTAL ASSETS	<u>\$ 2,689,769</u>	<u>\$ 2,678,333</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 88,617	\$ 62,126
HI-Federation grant payable (Note 7)	1,361,874	2,120,612
Due to HI-Federation Affiliated Organizations (Note 7)	<u>241,831</u>	<u>32,367</u>
Total current liabilities	<u>1,692,322</u>	<u>2,215,105</u>
NET ASSETS		
Unrestricted	330,077	327,369
Temporarily restricted (Note 2)	420,395	135,859
Temporarily restricted reserve (Note 4)	<u>246,975</u>	<u>-</u>
Total net assets	<u>997,447</u>	<u>463,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,689,769</u>	<u>\$ 2,678,333</u>

HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012	
	Unrestricted	Temporarily Restricted	Temporarily Restricted Reserve	Total	Total
REVENUE					
Foundation grants (Note 7)	\$ 1,838,374	\$ 459,432	\$ -	\$ 2,297,806	\$ 1,637,621
Government grants (Note 9)	5,481,471	-	-	5,481,471	3,199,738
Interest income	339	-	-	339	201
Bequest	-	-	-	-	838,146
Direct mail contributions (Note 8)	387,893	-	-	387,893	464,718
Other revenue	-	-	-	-	1,992
Net assets released from donor restrictions (Note 3)	<u>174,896</u>	<u>(174,896)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,882,973</u>	<u>284,536</u>	<u>-</u>	<u>8,167,509</u>	<u>6,142,416</u>
EXPENSES					
Program Services	<u>6,836,209</u>	<u>-</u>	<u>-</u>	<u>6,836,209</u>	<u>5,093,810</u>
Supporting Services:					
Management and General	491,194	-	-	491,194	488,907
Fundraising	<u>552,862</u>	<u>-</u>	<u>-</u>	<u>552,862</u>	<u>696,713</u>
Total supporting services	<u>1,044,056</u>	<u>-</u>	<u>-</u>	<u>1,044,056</u>	<u>1,185,620</u>
Total expenses	<u>7,880,265</u>	<u>-</u>	<u>-</u>	<u>7,880,265</u>	<u>6,279,430</u>
Change in net assets before other item	2,708	284,536	-	287,244	(137,014)
OTHER ITEM					
Related party non-operating contribution of restricted reserve (Note 4)	<u>-</u>	<u>-</u>	<u>246,975</u>	<u>246,975</u>	<u>-</u>
Change in net assets	2,708	284,536	246,975	534,219	(137,014)
Net assets at beginning of year	<u>327,369</u>	<u>135,859</u>	<u>-</u>	<u>463,228</u>	<u>600,242</u>
NET ASSETS AT END OF YEAR	<u>\$ 330,077</u>	<u>\$ 420,395</u>	<u>\$ 246,975</u>	<u>\$ 997,447</u>	<u>\$ 463,228</u>

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 429,570	\$ 222,149	\$ 89,023	\$ 740,742	\$ 635,946
Benefits (Note 6)	93,257	48,227	19,326	160,810	108,332
Payroll taxes	33,696	17,425	6,983	58,104	48,650
Legal	-	2,924	-	2,924	15,731
Consultants	21,825	38,222	3,025	63,072	54,570
Direct mail (Note 8)	100,245	-	401,010	501,255	668,925
Occupancy (Note 5)	51,131	26,443	10,596	88,170	84,720
Accounting and auditing services	-	46,273	-	46,273	51,916
Insurance	-	14,509	-	14,509	11,125
Communications	-	11,687	-	11,687	10,620
Travel	41,279	18,799	9,782	69,860	110,076
Postage and delivery	711	2,569	1,499	4,779	1,900
Supplies	12,673	30,837	5,766	49,276	30,869
Subscriptions and publications	40,270	4,772	4,914	49,956	26,451
Events and meeting	43,054	4,019	-	47,073	26,884
Bank fees	3,083	1,594	640	5,317	2,488
Grants (Note 7)	5,963,974	-	-	5,963,974	4,379,044
Other operating expenses	-	-	-	-	11,183
Depreciation	1,441	745	298	2,484	-
TOTAL	\$ 6,836,209	\$ 491,194	\$ 552,862	\$ 7,880,265	\$ 6,279,430

HANDICAP INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 534,219	\$ (137,014)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	2,484	-
(Increase) decrease in:		
Accounts receivable	(18,752)	(24,897)
Grants receivable - Foundations	(260,415)	-
Grants receivable - Federal	(441,777)	(1,429,171)
Due from HI-Federation	-	212,569
Prepaid expenses	3,983	6,795
Increase (decrease) in:		
Accounts payable and accrued liabilities	26,491	(447,870)
Deferred revenue	-	(1,992)
HI-France grant payable	(150,389)	2,120,612
Due to HI-Federation Affiliated Organizations	<u>(398,885)</u>	<u>32,089</u>
Net cash (used) provided by operating activities	<u>(703,041)</u>	<u>331,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>-</u>	<u>(9,950)</u>
Net cash used by investing activities	<u>-</u>	<u>(9,950)</u>
Net (decrease) increase in cash and cash equivalents	(703,041)	321,171
Cash and cash equivalents at beginning of year	<u>941,806</u>	<u>620,635</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 238,765</u>	<u>\$ 941,806</u>

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2012, from which the summarized information was derived.

Combined financial statements -

The accompanying financial statements represent the activity of HI-US only. The financial statements of HI-US have been combined with the Handicap International Federation (HI-Federation) and Affiliated Organizations in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The combined financial statements will be 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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, HI-US maintains cash balances in excess of the FDIC insurance limits. 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.

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.

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

Fixed assets (continued) -

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 -

For the year ended December 31, 2013, HI-US has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has 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.

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.

HANDICAP INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

Contributions and grants (continued) -

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, 2013:

Making It Work Phase IV	\$ 331,743
MDP Mectizan	<u>88,652</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>420,395</u>

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:

Making It Work Phase III	\$ 135,859
Making It Work Phase IV	18,258
MDP Mectizan	<u>20,779</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>174,896</u>

HANDICAP INTERNATIONAL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

4. RESTRICTED RESERVE

During 2013, the HI-Federation transferred \$246,975 to HI-US. The funds will remain as a restricted reserve. The funds total the equivalent of three months of its activity budget, as well as an agreed sum with which to cover any obligations for non-institutional co-financing of national origin on ongoing institutional funding contacts. The HI-Federation retains ownership of these funds, but HI-US may use the funds received to develop its private fundraising activities; the benefits of which will transfer to the HI-Federation.

5. 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, 2013 was \$88,170. Future minimum payments are as follows at December 31, 2013:

Year Ending December 31,

2014	\$ 89,187
2015	<u>37,618</u>
	<u>\$ 126,805</u>

6. 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, 2013 was \$45,183.

7. 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, 2013, operational support to HI-US totaled \$1,838,374. Additionally, HI-US expended \$5,963,974 in sub-grants to the HI-Federation. HI-US and the HI-Federation also share three Board members. For the year ended December 31, 2013, HI-US owed HI-Federation \$1,361,874 and owed the HI-Federation Affiliated Organizations \$241,831.

8. ALLOCATION OF JOINT COSTS

During the year ended December 31, 2013, HI-US incurred joint costs of \$501,255 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$401,010 was allocated to fundraising expense and \$100,245 was allocated to program services.

HANDICAP INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

9. 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 2013. 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.

10. SUBSEQUENT EVENTS

In preparing these financial statements, HI-US has evaluated events and transactions for potential recognition or disclosure through June 11, 2014, the date the financial statements were issued.