

**FINANCIAL STATEMENTS**

# **HANDICAP INTERNATIONAL**

**FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2007**

# HANDICAP INTERNATIONAL

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' 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) as of December 31, 2008, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of HI-US's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from HI-US's 2007 financial statements and, in our report dated July 4, 2008, we expressed an unqualified opinion on those statements.

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 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 audit provides 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 HI-US as of December 31, 2008, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

April 29, 2009

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

**HANDICAP INTERNATIONAL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

**ASSETS**

|                                                 | <u>2008</u>                | <u>2007</u>              |
|-------------------------------------------------|----------------------------|--------------------------|
| <b>CURRENT ASSETS</b>                           |                            |                          |
| Cash and cash equivalents                       | \$ 388,350                 | \$ 229,221               |
| Accounts receivable                             | 750                        | 2,876                    |
| Grants receivable                               | 3,006                      | 6,390                    |
| Due from HI-France (Note 4)                     | 728,005                    | -                        |
| Prepaid expenses                                | <u>7,401</u>               | <u>897</u>               |
| Total current assets                            | <u>1,127,512</u>           | <u>239,384</u>           |
| <b>FIXED ASSETS</b>                             |                            |                          |
| Equipment                                       | 16,791                     | -                        |
| Less: Accumulated depreciation and amortization | <u>(3,429)</u>             | <u>-</u>                 |
| Net fixed assets                                | <u>13,362</u>              | <u>-</u>                 |
| <b>TOTAL ASSETS</b>                             | <b><u>\$ 1,140,874</u></b> | <b><u>\$ 239,384</u></b> |

**LIABILITIES**

|                                          |                            |                          |
|------------------------------------------|----------------------------|--------------------------|
| <b>CURRENT LIABILITIES</b>               |                            |                          |
| Accounts payable and accrued liabilities | \$ 53,086                  | \$ 183,188               |
| Deferred revenue                         | 342,860                    | 56,196                   |
| HI-France grant payable                  | <u>744,928</u>             | <u>-</u>                 |
| <b>TOTAL LIABILITIES</b>                 | <b><u>\$ 1,140,874</u></b> | <b><u>\$ 239,384</u></b> |

## HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

|                                                         | <u>2008</u>         |                                   |                    | <u>2007</u>        |
|---------------------------------------------------------|---------------------|-----------------------------------|--------------------|--------------------|
|                                                         | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>       | <u>Total</u>       |
| <b>REVENUE</b>                                          |                     |                                   |                    |                    |
| Contributions                                           | \$ 1,767            | \$ -                              | \$ 1,767           | \$ 202,612         |
| Foundation grants (Note 4)                              | 929,802             | 504,859                           | 1,434,661          | 1,024,725          |
| Interest/dividend income                                | 4,572               | -                                 | 4,572              | 5,227              |
| Other revenue                                           | -                   | -                                 | -                  | 37                 |
| Direct mail                                             | 196,923             | -                                 | 196,923            | 134,608            |
| Net assets released from donor<br>restrictions (Note 2) | <u>504,859</u>      | <u>(504,859)</u>                  | <u>-</u>           | <u>-</u>           |
| Total revenue                                           | <u>1,637,923</u>    | <u>-</u>                          | <u>1,637,923</u>   | <u>1,367,209</u>   |
| <b>EXPENSES</b>                                         |                     |                                   |                    |                    |
| Program Services                                        | <u>802,844</u>      | <u>-</u>                          | <u>802,844</u>     | <u>962,657</u>     |
| Supporting Services:                                    |                     |                                   |                    |                    |
| Management and General                                  | 236,321             | -                                 | 236,321            | 139,370            |
| Fundraising                                             | <u>598,758</u>      | <u>-</u>                          | <u>598,758</u>     | <u>517,332</u>     |
| Total supporting<br>services                            | <u>835,079</u>      | <u>-</u>                          | <u>835,079</u>     | <u>656,702</u>     |
| Total expenses                                          | <u>1,637,923</u>    | <u>-</u>                          | <u>1,637,923</u>   | <u>1,619,359</u>   |
| Change in net assets                                    | -                   | -                                 | -                  | (252,150)          |
| Net assets at beginning of year                         | <u>-</u>            | <u>-</u>                          | <u>-</u>           | <u>252,150</u>     |
| <b>NET ASSETS AT END OF YEAR</b>                        | <b>\$ <u>-</u></b>  | <b>\$ <u>-</u></b>                | <b>\$ <u>-</u></b> | <b>\$ <u>-</u></b> |

See accompanying notes to financial statements.

## HANDICAP INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

|                                | 2008                |                           |                   | 2007                |                     |
|--------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
|                                | Program<br>Services | Management<br>and General | Fundraising       | Total<br>Expenses   | Total<br>Expenses   |
| Salaries                       | \$ 128,840          | \$ 62,300                 | \$ 14,555         | \$ 205,695          | \$ 149,151          |
| Benefits                       | 25,052              | 12,113                    | 2,830             | 39,995              | 23,869              |
| Payroll taxes                  | 10,049              | 4,859                     | 1,135             | 16,043              | 10,445              |
| Legal                          | -                   | 1,529                     | -                 | 1,529               | 1,561               |
| Consultants                    | 38                  | 3,417                     | 4,987             | 8,442               | 43,127              |
| Direct mail                    | -                   | -                         | 559,310           | 559,310             | 533,172             |
| Occupancy (Note 3)             | -                   | 35,769                    | -                 | 35,769              | 22,843              |
| Accounting services            | -                   | 36,106                    | -                 | 36,106              | 16,203              |
| Insurance                      | -                   | 4,158                     | -                 | 4,158               | 3,516               |
| Communications                 | -                   | 4,227                     | -                 | 4,227               | 9,902               |
| Travel and entertainment       | 12,499              | 48,632                    | 978               | 62,109              | 26,300              |
| Postage and delivery           | -                   | 1,807                     | -                 | 1,807               | 203                 |
| Supplies                       | -                   | 5,803                     | -                 | 5,803               | 6,610               |
| Subscriptions and publications | -                   | 4,122                     | -                 | 4,122               | -                   |
| Events and meeting             | -                   | 302                       | -                 | 302                 | 3,355               |
| Bank fees                      | 35                  | 1,846                     | 802               | 2,683               | 2,629               |
| Grants                         | 620,901             | -                         | -                 | 620,901             | 763,650             |
| Miscellaneous                  | 5,430               | 7,062                     | 13,001            | 25,493              | 2,823               |
| Depreciation expenses          | -                   | 2,269                     | 1,160             | 3,429               | -                   |
| <b>TOTAL</b>                   | <b>\$ 802,844</b>   | <b>\$ 236,321</b>         | <b>\$ 598,758</b> | <b>\$ 1,637,923</b> | <b>\$ 1,619,359</b> |

See accompanying notes to financial statements.

**HANDICAP INTERNATIONAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

|                                                                                             | <u>2008</u>              | <u>2007</u>              |
|---------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |                          |                          |
| Change in net assets                                                                        | \$ -                     | \$ (252,150)             |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                          |                          |
| Depreciation                                                                                | 3,429                    | -                        |
| (Increase) decrease in:                                                                     |                          |                          |
| Accounts receivable                                                                         | 2,126                    | 88,285                   |
| Grants receivable                                                                           | 3,384                    | (6,390)                  |
| Due from HI-France                                                                          | (728,005)                | -                        |
| Prepaid expenses                                                                            | (6,504)                  | (897)                    |
| Increase (decrease) in:                                                                     |                          |                          |
| Accounts payable and accrued liabilities                                                    | (130,102)                | 166,323                  |
| Deferred revenue                                                                            | 286,664                  | 56,196                   |
| HI-France grant payable                                                                     | <u>744,928</u>           | <u>-</u>                 |
| Net cash provided by operating activities                                                   | <u>175,920</u>           | <u>51,367</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                 |                          |                          |
| Purchase of furniture and equipment                                                         | <u>(16,791)</u>          | <u>-</u>                 |
| Net cash used by investing activities                                                       | <u>(16,791)</u>          | <u>-</u>                 |
| Net increase in cash and cash equivalents                                                   | 159,129                  | 51,367                   |
| Cash and cash equivalents at beginning of year                                              | <u>229,221</u>           | <u>177,854</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                             | <b><u>\$ 388,350</u></b> | <b><u>\$ 229,221</u></b> |

See accompanying notes to financial statements.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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's purpose is to develop assistance programs to respond to needs of persons disabled by armed conflicts, diseases, natural disasters, or other causes.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

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, 2007, from which the summarized information was derived.

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.

At times during the year, HI-US maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

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.

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. There were no temporarily restricted net assets at December 31, 2008.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. 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.

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.

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.

**2. 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:

|                                       |                          |
|---------------------------------------|--------------------------|
| Adopt a Minefield                     | \$ 252,059               |
| Private Individual                    | 26,000                   |
| ELMA Foundation                       | 143,610                  |
| USAID via RTI                         | 24,050                   |
| Private Individual                    | 2,000                    |
| Vanguard Charitable Endowment Program | <u>57,140</u>            |
|                                       | <b><u>\$ 504,859</u></b> |

**3. LEASE COMMITMENT**

Effective November 1, 2008, HI-US entered into a one-year lease agreement with Survey Action Center for office space in Takoma Park, Maryland.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**3. LEASE COMMITMENT (Continued)**

Under the agreement, HI-US took on additional office space. Rent expense for the year ended December 31, 2008 was \$35,588. The Executive Directors of Survey Action Center and HI-US are related parties.

Future minimum payments are as follows:

|                                     |                         |
|-------------------------------------|-------------------------|
| <b>Year Ended December 31, 2009</b> | <b>\$ <u>44,934</u></b> |
|-------------------------------------|-------------------------|

**4. RELATED PARTY TRANSACTIONS**

HI-US is part of a network of Handicap International with headquarters in Lyon, France (HI-France). HI-France reimburses HI-US for operational expenses. For the year ended December 31, 2008, operational support to HI-US totaled \$929,802. Additionally, HI-US raised \$620,901 in grant funds on behalf of HI-France. HI-US and HI-France also share Board members.

**5. ALLOCATION OF JOINT COSTS**

During the year ended December 31, 2008, HI-US incurred joint costs of \$299,807 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$217,725 was allocated to fundraising expense and \$82,082 was allocated to program services.