

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

# HANDICAP INTERNATIONAL

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2014, with Summarized Financial Information for 2013	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2014, with Summarized Financial Information for 2013	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2014, with Summarized Financial Information for 2013	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2014, with Summarized Financial Information for 2013	7
NOTES TO FINANCIAL STATEMENTS	8 - 12



## 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), which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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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### **Report on Summarized Comparative Information**

We have previously audited HI-US's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

June 5, 2015

**HANDICAP INTERNATIONAL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

**ASSETS**

<b>CURRENT ASSETS</b>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 678,082	\$ 238,765
Accounts receivable	36,284	47,357
Grants receivable - Foundations	120,415	260,415
Grants receivable - Federal	4,543,416	2,124,261
Prepaid expenses	<u>6,998</u>	<u>11,505</u>
Total current assets	<u>5,385,195</u>	<u>2,682,303</u>
 <b>FIXED ASSETS</b>		
Equipment	26,741	26,741
Less: Accumulated depreciation	<u>(22,587)</u>	<u>(19,275)</u>
Net fixed assets	<u>4,154</u>	<u>7,466</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,389,349</u></b>	<b><u>\$ 2,689,769</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 183,051	\$ 88,617
HI-Federation grant payable (Note 7)	3,009,744	1,361,874
Due to HI-Federation Affiliated Organizations (Note 7)	<u>1,322,975</u>	<u>241,831</u>
Total current liabilities	<u>4,515,770</u>	<u>1,692,322</u>
 <b>NET ASSETS</b>		
Unrestricted	330,026	330,077
Temporarily restricted (Note 2)	296,553	420,395
Temporarily restricted reserve (Note 4)	<u>247,000</u>	<u>246,975</u>
Total net assets	<u>873,579</u>	<u>997,447</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,389,349</u></b>	<b><u>\$ 2,689,769</u></b>

## HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013	
	Unrestricted	Temporarily Restricted	Temporarily Restricted Reserve	Total	Total
<b>REVENUE</b>					
Foundation grants (Note 7)	\$ 1,495,391	\$ 40,000	\$ -	\$ 1,535,391	\$ 2,297,806
Government grants (Note 9)	10,459,170	-	-	10,459,170	5,481,471
Bequest	418,854	-	-	418,854	-
Interest and other revenue	765	-	-	765	339
Direct mail contributions (Note 8)	429,923	-	-	429,923	387,893
Net assets released from donor restrictions (Note 3)	<u>163,842</u>	<u>(163,842)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>12,967,945</u>	<u>(123,842)</u>	<u>-</u>	<u>12,844,103</u>	<u>8,167,509</u>
<b>EXPENSES</b>					
Program Services	<u>11,946,493</u>	<u>-</u>	<u>-</u>	<u>11,946,493</u>	<u>6,836,209</u>
Supporting Services:					
Management and General	465,144	-	-	465,144	491,194
Fundraising	<u>556,359</u>	<u>-</u>	<u>-</u>	<u>556,359</u>	<u>552,862</u>
Total supporting services	<u>1,021,503</u>	<u>-</u>	<u>-</u>	<u>1,021,503</u>	<u>1,044,056</u>
Total expenses	<u>12,967,996</u>	<u>-</u>	<u>-</u>	<u>12,967,996</u>	<u>7,880,265</u>
Change in net assets before other item	(51)	(123,842)	-	(123,893)	287,244
<b>OTHER ITEM</b>					
Related party non-operating contribution of restricted reserve (Note 4)	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>	<u>246,975</u>
Change in net assets	(51)	(123,842)	25	(123,868)	534,219
Net assets at beginning of year	<u>330,077</u>	<u>420,395</u>	<u>246,975</u>	<u>997,447</u>	<u>463,228</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>330,026</u></b>	<b>\$ <u>296,553</u></b>	<b>\$ <u>247,000</u></b>	<b>\$ <u>873,579</u></b>	<b>\$ <u>997,447</u></b>

## HANDICAP INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries (Note 6)	\$ 243,965	\$ 208,281	\$ 101,600	\$ 553,846	\$ 740,742
Benefits	63,331	54,068	26,374	143,773	160,810
Payroll taxes	18,394	19,169	7,660	45,223	58,104
Legal	6,400	4,050	-	10,450	2,924
Consultants	106,067	34,142	4,830	145,039	63,072
Direct mail (Note 8)	86,362	-	345,447	431,809	501,255
Occupancy (Note 5)	40,813	34,843	16,997	92,653	88,170
Accounting and auditing services	-	31,406	-	31,406	46,273
Insurance	-	13,887	-	13,887	14,509
Communications	3,598	6,235	1,498	11,331	11,687
Travel	51,151	28,476	5,205	84,832	69,860
Postage and delivery	1,802	1,538	750	4,090	4,779
Supplies	313	26,365	173	26,851	49,276
Subscriptions and publications	18,681	-	44,516	63,197	49,956
Events and meeting	57	-	-	57	47,073
Bank fees	1,684	1,439	701	3,824	5,317
Grants (Note 7)	11,302,416	-	-	11,302,416	5,963,974
Depreciation and amortization	1,459	1,245	608	3,312	2,484
<b>TOTAL</b>	<b>\$ 11,946,493</b>	<b>\$ 465,144</b>	<b>\$ 556,359</b>	<b>\$ 12,967,996</b>	<b>\$ 7,880,265</b>

**HANDICAP INTERNATIONAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (123,868)	\$ 534,219
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,312	2,484
(Increase) decrease in:		
Accounts receivable	11,073	(18,752)
Grants receivable - Foundations	140,000	(260,415)
Grants receivable - Federal	(2,419,155)	(441,777)
Prepaid expenses	4,507	3,983
Increase (decrease) in:		
Accounts payable and accrued liabilities	94,434	26,491
HI-Federation grant payable	1,647,870	(758,738)
Due to HI-Federation Affiliated Organizations	<u>1,081,144</u>	<u>209,464</u>
Net cash provided (used) by operating activities	<u>439,317</u>	<u>(703,041)</u>
Net increase (decrease) in cash and cash equivalents	439,317	(703,041)
Cash and cash equivalents at beginning of year	<u>238,765</u>	<u>941,806</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 678,082</u></b>	<b><u>\$ 238,765</u></b>



## HANDICAP INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 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, 2013, 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 accounting rules laid down by the "Conseil National de la Vie Associative" and in accordance with accounting regulation CRC 99-03 as amended by regulation CRC 99-01. 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. Websites are amortized over an estimated useful life of three years.

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.

## HANDICAP INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

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

##### 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, 2014, 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.

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.

**HANDICAP INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

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, 2014:

Making It Work Phase IV	\$ 206,743
MDP Mectizan	57,748
Johns Hopkins	<u>32,062</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>296,553</u></b>

**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 IV	\$ 124,999
MDP Mectizan	30,905
Johns Hopkins	<u>7,938</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ <u>163,842</u></b>

**4. RESTRICTED RESERVE**

During 2014, the HI-Federation transferred \$25 to HI-US. These funds will remain in the restricted reserve. The total funds in the reserve are the equivalent of three months of HI-US 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. As of December 31, 2014, the balance of the restricted reserve was \$247,000.

**HANDICAP INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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, 2014 was \$92,653.

Subsequent to year end HI-US signed a 65 month lease which expires on November 30, 2020.

Future minimum payments are as follows at December 31, 2014:

**Year Ending December 31**

2015	\$ 87,393
2016	86,405
2017	90,294
2018	94,357
2019	98,603
Thereafter	<u>94,264</u>
	<b><u>\$ 551,316</u></b>

**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, 2014 was \$35,537.

**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.

HI-US provides 80% of unrestricted contributions to the HI-Federation and HI-Federation Affiliated Organizations. For the year ended December 31, 2014, this totaled \$479,403 for the HI-Federation and \$200,000 for the HI-Federation Affiliated Organizations.

The HI-Federation reimburses HI-US for operational expenses. For the year ended December 31, 2014, operational support to HI-US totaled \$1,495,391. Additionally, HI-US expended \$9,723,562 in sub-grants to the HI-Federation and \$1,578,854 for the HI-Federation Affiliated Organizations (both of which include the 80% of unrestricted contributions). HI-US and the HI-Federation also share three Board members. For the year ended December 31, 2014, HI-US owed HI-Federation \$3,009,744 and owed the HI-Federation Affiliated Organizations \$1,322,975.

**8. ALLOCATION OF JOINT COSTS**

During the year ended December 31, 2014, HI-US incurred joint costs of \$431,809 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$345,447 was allocated to fundraising expense and \$86,362 was allocated to program services.

## HANDICAP INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### **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 2014. 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. CONCENTRATION OF REVENUE**

Approximately 81% of HI-US revenue for the year ended December 31, 2014 was derived from grants awarded by agencies of the United States government. HI-US has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect HI-US ability to finance ongoing operations.

#### **11. SUBSEQUENT EVENTS**

In preparing these financial statements, HI-US has evaluated events and transactions for potential recognition or disclosure through June 5, 2015, the date the financial statements were issued.