

FINANCIAL STATEMENTS



HUMANITY & INCLUSION

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

HUMANITY & INCLUSION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humanity & Inclusion
Silver Spring, Maryland

Opinion

We have audited the accompanying financial statements of Humanity & Inclusion (HI US), which comprise the statement of financial position as of December 31, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HI US and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HI US' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HI US' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HI US' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited HI US' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 September 29, 2023, on our consideration of HI US' 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 solely 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 the effectiveness of HI US' 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' internal control over financial reporting and compliance.



September 29, 2023

HUMANITY & INCLUSION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,873,026	\$ 3,144,301
Accounts receivable	47,808	25,580
Grants receivable	16,869,314	12,705,227
Prepaid expenses	<u>41,865</u>	<u>33,039</u>
Total current assets	<u>18,832,013</u>	<u>15,908,147</u>
FIXED ASSETS		
Website	23,949	12,800
Furniture	6,379	6,379
Computer equipment	<u>20,873</u>	<u>11,121</u>
Subtotal	51,201	30,300
Less: Accumulated amortization and depreciation	<u>(27,549)</u>	<u>(18,157)</u>
Net fixed assets	<u>23,652</u>	<u>12,143</u>
NON-CURRENT ASSETS		
Deposits	7,042	7,042
Right-of-use asset, net	<u>406,361</u>	<u>-</u>
Total non-current assets	<u>413,403</u>	<u>7,042</u>
TOTAL ASSETS	<u>\$ 19,269,068</u>	<u>\$ 15,927,332</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 348,893	\$ 673,700
Deferred rent	-	7,825
Operating lease liability	91,535	-
Due to HI Federation	<u>17,375,587</u>	<u>14,338,618</u>
Total current liabilities	<u>17,816,015</u>	<u>15,020,143</u>
LONG-TERM LIABILITIES		
Operating lease obligation, net of current portion	<u>348,459</u>	<u>-</u>
Total liabilities	<u>18,164,474</u>	<u>15,020,143</u>
NET ASSETS		
Without donor restrictions	289,440	289,763
With donor restrictions	<u>815,154</u>	<u>617,426</u>
Total net assets	<u>1,104,594</u>	<u>907,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,269,068</u>	<u>\$ 15,927,332</u>

See accompanying notes to financial statements.

HUMANITY & INCLUSION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Government grants and contracts	\$ 38,374,842	\$ -	\$ 38,374,842	\$ 29,703,525
Foundation and corporate grants	1,971,014	750,000	2,721,014	1,844,462
Contributions	1,005,852	-	1,005,852	460,071
Contributed services and materials	157,811	-	157,811	2,398,132
Interest and other revenue	9,183	-	9,183	7,101
Net assets released from donor restrictions	<u>552,272</u>	<u>(552,272)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>42,070,974</u>	<u>197,728</u>	<u>42,268,702</u>	<u>34,413,291</u>
EXPENSES				
Program Services	<u>40,171,117</u>	<u>-</u>	<u>40,171,117</u>	<u>33,039,625</u>
Supporting Services:				
Management and General	1,539,496	-	1,539,496	613,776
Fundraising	<u>360,684</u>	<u>-</u>	<u>360,684</u>	<u>746,222</u>
Total supporting services	<u>1,900,180</u>	<u>-</u>	<u>1,900,180</u>	<u>1,359,998</u>
Total expenses	<u>42,071,297</u>	<u>-</u>	<u>42,071,297</u>	<u>34,399,623</u>
Change in net assets	(323)	197,728	197,405	13,668
Net assets at beginning of year	<u>289,763</u>	<u>617,426</u>	<u>907,189</u>	<u>893,521</u>
NET ASSETS AT END OF YEAR	<u>\$ 289,440</u>	<u>\$ 815,154</u>	<u>\$ 1,104,594</u>	<u>\$ 907,189</u>

HUMANITY & INCLUSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022				2021	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries	\$ 418,263	\$ 701,497	\$ 151,099	\$ 852,596	\$ 1,270,859	\$ 1,052,339
Benefits	99,857	176,726	34,857	211,583	311,440	249,027
Payroll taxes	31,787	47,539	11,012	58,551	90,338	86,371
Staff training and recruitment	-	6,877	5,268	12,145	12,145	2,969
Legal	-	3,320	-	3,320	3,320	567
Consultants	-	62,892	20,010	82,902	82,902	86,438
Donor mailings	-	-	21,230	21,230	21,230	28,772
Occupancy	-	88,377	12,268	100,645	100,645	95,644
Accounting and auditing services	-	66,518	-	66,518	66,518	58,636
Insurance	-	22,414	-	22,414	22,414	26,285
Communications	-	20,167	40,440	60,607	60,607	41,310
Travel	-	45,775	4,455	50,230	50,230	10,776
Postage and delivery	-	238	6,226	6,464	6,464	3,569
Supplies	-	35,128	19,808	54,936	54,936	41,154
Subscriptions and publications	-	50,894	10,331	61,225	61,225	45,780
Events and meeting	-	15,902	930	16,832	16,832	1,703
Bank fees	-	2,610	1,357	3,967	3,967	8,233
Grants	39,621,210	-	-	-	39,621,210	30,460,561
Allowance for (recovery of) operational risk	-	46,811	-	46,811	46,811	(302,565)
Amortization and depreciation	-	9,393	-	9,393	9,393	3,922
Donated goods and services	-	136,418	21,393	157,811	157,811	2,398,132
TOTAL	\$ 40,171,117	\$ 1,539,496	\$ 360,684	\$ 1,900,180	\$ 42,071,297	\$ 34,399,623

HUMANITY & INCLUSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 197,405	\$ 13,668
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Amortization and depreciation	9,392	3,922
Amortization of right-of-use asset	98,299	-
(Increase) decrease in:		
Accounts receivable	(22,228)	(6,042)
Grants receivable	(4,164,087)	3,496,443
Prepaid expenses	(8,826)	23,668
(Decrease) increase in:		
Accounts payable and accrued liabilities	(324,807)	(9,434)
Deferred rent	-	(6,708)
Due to HI Federation	3,036,969	(1,968,336)
Operating lease liabilities	<u>(72,491)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(1,250,374)</u>	<u>1,547,181</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(20,901)</u>	<u>(11,668)</u>
Net cash used by investing activities	<u>(20,901)</u>	<u>(11,668)</u>
Net (decrease) increase in cash and cash equivalents	(1,271,275)	1,535,513
Cash and cash equivalents at beginning of year	<u>3,144,301</u>	<u>1,608,788</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,873,026</u>	<u>\$ 3,144,301</u>
SCHEDULE OF NONCASH TRANSACTIONS:		
Right-of-Use Asset	<u>\$ 504,660</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 504,660</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Humanity & Inclusion (HI US), formerly Handicap International, was incorporated in 2006 in the District of Columbia and is located in Silver Spring, 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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' financial statements for the year ended December 31, 2021, 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 DBA Humanity & Inclusion (HI Federation) and Affiliated Organizations, located in Lyon, France, 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 are available at the HI US office.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

New accounting pronouncements adopted -

During the year ended December 31, 2022, HI US adopted Accounting Standards Update (ASU) 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. HI US applied the new standard to all existing leases in 2022 and also adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 5 for further details.

Also during the year ended December 31, 2022, HI US adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets consist of a website, furniture and computer equipment. Applicable costs in excess of \$5,000 are capitalized and stated at cost. The website is being amortized on a straight-line basis over the estimated useful life of three years. The computer equipment and furniture is depreciated over the estimated useful life of three years. The cost of maintenance and repairs is recorded as expenses are incurred.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Uncertain tax positions -

For the year ended December 31, 2022, 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.

Grants, contributions and contracts -

Gifts, including unconditional pledges, grants and cost-reimbursable contracts, are recognized in the appropriate category of net assets in the period received. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by HI US upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods.

Contributions and grants with donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions". The majority of HI US' activities are performed under cost-reimbursable grants and contracts with the U.S. and foreign governments, international organizations and other entities.

HI US recognizes grants and contracts as either contributions or exchange transactions, depending on whether the transaction is reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For grants and contracts qualifying as contributions, revenue is recognized when a contribution becomes unconditional. Typically, grant and contract agreements contain a right of return or right of release from obligation provision and HI US has limited discretion over how funds transferred should be spent. As such, HI US recognizes revenue for these conditional contributions when the related barrier has been overcome.

For grants and contracts treated as contributions, HI US had approximately \$33,326,000 in unrecognized conditional contributions as of December 31, 2022. The revenue related to these awards is conditioned on incurring allowable expenditures under the terms of Federal grant agreements and meeting specific financial and programmatic reporting requirements under a non-Federal grant agreement.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts with Customers*, and are recorded as revenue without donor restrictions to the extent that expenses are incurred in compliance with the criteria stipulated in the grant or contract agreements. HI US has elected to opt out of all (or certain) disclosures not required for nonpublic entities.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Grants, contributions and contracts (continued) -

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

Contributed services and materials -

Contributed services and materials consist of pro bono legal and advertising. Goods donated for distribution for HI US' programs are recorded at their fair market value as of the date of the gift. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HI US.

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. Expenses directly attributed to a specific functional area of HI US are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

Foreign currency translation -

The U.S. Dollar ("Dollars") is the functional currency for HI US' 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.

New accounting pronouncement not yet adopted -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for HI US for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

HI US plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specified purposes:	
Women's Clubs for Community Health System Strengthening	\$ 132,073
Inclusive Recovery and Preparedness in Somalia/Somaliland	209,065
Making It Work – Towards Enhanced Inclusion of Women and Girls with Disabilities through Evidence-Based Advocacy and strengthened accountability	175,605
Livelihoods Programs	30,234
Miracle Feet Sri Lanka II	21,177
Net Asset Reserve	<u>247,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 815,154</u>

Net asset reserve -

HI US received restricted funds for a 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, 2022, the balance of the restricted reserve was \$247,000.

3. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

Purpose restrictions accomplished:	
Women's Clubs for Community Health System Strengthening	\$ 117,928
Inclusive Recovery and Preparedness in Somalia/Somaliland	40,935
Inclusion of Persons with Disabilities in Humanitarian Action	74,957
Making It Work – Towards Enhanced Inclusion of Women and Girls with Disabilities through Evidence-Based Advocacy and strengthened accountability	288,452
SafER: Safe Emergency Responses in Haiti	20,000
Livelihoods Programs	<u>10,000</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 552,272</u>

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use within one year of the Statement of Financial Position for general expenditures comprise the following as of December 31, 2022:

Cash and cash equivalents	\$ 1,873,026
Accounts receivable	47,808
Grants receivable	16,869,314
Less: Donor restrictions for specific purposes	<u>(815,154)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 17,974,994</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

4. LIQUIDITY AND AVAILABILITY (Continued)

HI US has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2022, the HI Federation would allow HI US to use the net asset reserve balance with prior approval, therefore the financial assets available could be higher in the event of need.

5. LEASE COMMITMENTS

During May 2015, HI US signed a 65-month lease, which was set to expire on November 30, 2020. In November 2020, HI US signed a lease extension for a period of one year. The lease had a base annual rent of \$84,504, with an annual escalation of 4.5%. In September 1, 2021, HI US signed an amendment to extend the lease through April 30, 2027. As part of the amendment, rent was abated for the first three months in the amount of \$29,191 and a tenant improvement allowance in the amount of \$8,220 to build new offices. Annual escalation will continue to be 4.5%.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. HI US implemented the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. HI US also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. HI US adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, HI US recorded a right-of-use asset in the amount of \$504,660 and an operating lease liability in the amount of \$504,660 by calculating the present value using the discount rate of 1.43%.

Future minimum payments are as follows at December 31, 2022:

Year Ending December 31,

2023	\$	97,231
2024		101,606
2025		106,178
2026		110,956
2027		<u>38,505</u>
		454,476
Less: Imputed interest		<u>(14,482)</u>
		439,994
Less: Current portion		<u>(91,535)</u>
LONG-TERM PORTION	\$	<u>348,459</u>

Rent expense for the year ended December 31, 2022 was \$100,645.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

6. RETIREMENT PLAN

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. The 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, 2022 was \$63,004.

7. RELATED PARTY TRANSACTIONS

HI US is a part of the Handicap International DBA Humanity & Inclusion Federation (the 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 70% of unrestricted contributions to the HI Federation and the HI Federation Affiliated Organizations. For the year ended December 31, 2022, they contributed \$704,096 to the HI-Federation. HI US did not make any contributions to the HI Federation Affiliated Organizations.

The HI Federation reimburses HI US for operational expenses. For the year ended December 31, 2022, operational support to HI US totaled \$1,971,014.

Additionally, HI US expended \$39,621,210 in sub-grants to the HI Federation (which includes the 70% of unrestricted contributions). The HI Federation implements the programs. There were no sub-grants awarded to the HI Federation Affiliated Organizations in 2021. HI US and the HI Federation also share two Board members.

As of December 31, 2022, HI US owed the HI Federation \$17,375,587.

8. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2022, HI US was the beneficiary of donated services which allowed HI US to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2022.

Pro-bono legal services	\$ 85,947
Advertisement services	68,918
Other donations	<u>2,946</u>
TOTAL CONTRIBUTED SERVICES AND MATERIALS	\$ <u>157,811</u>

The following programs have benefited from these donated services:

Management and General	\$ 136,418
Fundraising	<u>21,393</u>
TOTAL PROGRAMS BENEFITED	\$ <u>157,811</u>

HUMANITY & INCLUSION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

9. CONTINGENCY

HI US receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2022. Until such audits have 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

Excluding in kind revenue, approximately 91% of HI US' revenue for the year ended December 31, 2022, 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. PROGRAM SERVICES

HI US's program service activities support key program areas in our operations and technical resources divisions, as follows:

Emergency	\$ 14,491,526
Disability Rights and Inclusion	9,343,807
Rehabilitation	6,754,692
Armed Violence Reduction	7,561,945
Health and Prevention	<u>2,019,147</u>
TOTAL PROGRAM SERVICES	<u>\$ 40,171,117</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, HI US has evaluated events and transactions for potential recognition or disclosure through September 29, 2023, the date the financial statements were issued.