

FINANCIAL STATEMENTS

HANDICAP INTERNATIONAL

**FOR THE YEAR ENDED DECEMBER 31, 2007
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2006**

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 as of December 31, 2007, 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 Handicap International'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 the organization's 2006 financial statements and, in our report dated May 4, 2007, 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 Handicap International as of December 31, 2007, 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

July 4, 2008

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HANDICAP INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 229,221	\$ 177,854
Accounts receivable	2,876	91,161
Grants receivable	6,390	-
Prepaid expenses	<u>897</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 239,384</u>	<u>\$ 269,015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 183,188	\$ 16,865
Deferred revenue	<u>56,196</u>	<u>-</u>
Total current liabilities	<u>239,384</u>	<u>16,865</u>
NET ASSETS		
Unrestricted	-	14,711
Temporarily restricted	<u>-</u>	<u>237,439</u>
Total net assets	<u>-</u>	<u>252,150</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 239,384</u>	<u>\$ 269,015</u>

HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>			<u>2006</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 202,612	\$ -	\$ 202,612	\$ 725
Foundation grants	863,685	161,040	1,024,725	541,784
Interest/dividend income	5,227	-	5,227	953
Other revenue	37	-	37	122
Direct mail	134,608	-	134,608	20,387
Net assets released from donor restrictions	<u>398,479</u>	<u>(398,479)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,604,648</u>	<u>(237,439)</u>	<u>1,367,209</u>	<u>563,971</u>
EXPENSES				
Program Services	<u>962,657</u>	<u>-</u>	<u>962,657</u>	<u>45,108</u>
Supporting Services:				
Management and General	139,370	-	139,370	79,241
Fundraising	<u>517,332</u>	<u>-</u>	<u>517,332</u>	<u>187,472</u>
Total supporting services	<u>656,702</u>	<u>-</u>	<u>656,702</u>	<u>266,713</u>
Total expenses	<u>1,619,359</u>	<u>-</u>	<u>1,619,359</u>	<u>311,821</u>
Change in net assets	(14,711)	(237,439)	(252,150)	252,150
Net assets at beginning of year	<u>14,711</u>	<u>237,439</u>	<u>252,150</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,150</u>

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	2007			2006	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 75,784	\$ 60,041	\$ 13,326	\$ 149,151	\$ 66,666
Benefits	12,128	9,608	2,133	23,869	2,000
Payroll taxes	5,307	4,205	933	10,445	4,356
Legal	-	1,561	-	1,561	9,350
Consultants	9,907	-	33,220	43,127	45,921
Direct mail	70,912	-	462,260	533,172	2,287
Occupancy (Note 3)	11,606	9,196	2,041	22,843	8,368
Accounting services	-	16,203	-	16,203	7,320
Insurance	-	3,516	-	3,516	945
Communications	-	9,902	-	9,902	2,425
Travel and entertainment	13,363	10,587	2,350	26,300	11,272
Postage and delivery	-	-	203	203	127,248
Supplies	-	6,610	-	6,610	2,270
Subscriptions and publications	-	-	-	-	18,928
Events and meeting	-	3,355	-	3,355	1,162
Bank fees	-	1,763	866	2,629	426
Grants	763,650	-	-	763,650	-
Miscellaneous	-	2,823	-	2,823	877
TOTAL	\$ 962,657	\$ 139,370	\$ 517,332	\$ 1,619,359	\$ 311,821

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (252,150)	\$ 252,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	88,285	(91,161)
Grants receivable	(6,390)	-
Prepaid expenses	(897)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	166,323	16,865
Deferred revenue	<u>56,196</u>	<u>-</u>
Net cash provided by operating activities	<u>51,367</u>	<u>177,854</u>
Net increase in cash and cash equivalents	51,367	177,854
Cash and cash equivalents at beginning of year	<u>177,854</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 229,221</u>	<u>\$ 177,854</u>

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Handicap International (HI) was incorporated in 2006 in the District of Columbia and is located in Takoma Park, Maryland. HI'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 the organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Cash and cash equivalents -

HI 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 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 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 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 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 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.

HANDICAP INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

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. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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:

French American Charitable Trust	\$ 4,000
Adopt a Minefield	<u>394,479</u>
	<u>\$ 398,479</u>

3. LEASE COMMITMENT

Effective December 1, 2007, HI entered into a one-year lease agreement with Survey Action Center for office space in Takoma Park, Maryland. Rent expense for the year ended December 31, 2007 was \$22,843.

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

3. LEASE COMMITMENT (Continued)

Future minimum payments are as follows:

Year Ended December 31,

2008

\$ 16,028

4. RELATED PARTY TRANSACTIONS

Handicap International France (HI-France) reimburses Handicap International (HI-US) for operating costs incurred by HI-US. For the year ended December 31, 2007, HI-France paid HI-US approximately \$926,273. As of December 31, 2007, \$75,073 was due to HI-France, which is included in accounts payable in the accompanying financial statements.

Survey Action Center (SAC) provides rental space and office supplies for Handicap International. During 2007, HI paid SAC \$33,834.

5. ALLOCATION OF JOINT COSTS

In the year ended December 31, 2007, Handicap International incurred joint costs of \$268,051 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$197,139 was allocated to fundraising expense and \$70,912 was allocated to program services.