

FINANCIAL STATEMENTS

HANDICAP INTERNATIONAL

**FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2008**

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, 2009, 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' 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' 2008 financial statements and, in our report dated April 29, 2009, 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, 2009, 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

May 13, 2010

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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, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 79,041	\$ 388,350
Accounts receivable	1,927	750
Grants receivable	360,121	3,006
Due from HI-France (Note 5)	768,485	728,005
Prepaid expenses	<u>6,783</u>	<u>7,401</u>
Total current assets	<u>1,216,357</u>	<u>1,127,512</u>
FIXED ASSETS		
Equipment	16,791	16,791
Less: Accumulated depreciation and amortization	<u>(9,026)</u>	<u>(3,429)</u>
Net fixed assets	<u>7,765</u>	<u>13,362</u>
TOTAL ASSETS	<u>\$ 1,224,122</u>	<u>\$ 1,140,874</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable (Note 2)	\$ 3,190	\$ -
Accounts payable and accrued liabilities	67,939	53,086
Deferred revenue	207,784	342,860
HI-France grant payable (Note 5)	911,447	744,928
Other current liabilities	<u>33,762</u>	<u>-</u>
Total liabilities	1,224,122	1,140,874
NET ASSETS - Unrestricted	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,224,122</u>	<u>\$ 1,140,874</u>

HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 776	\$ -	\$ 776	\$ 1,767
Foundation grants	823,787	492,067	1,315,854	1,434,661
Government grants	210,121	-	210,121	-
Interest/dividend income	1,562	-	1,562	4,572
Direct mail	153,206	-	153,206	196,923
Net assets released from donor restrictions (Note 3)	<u>492,067</u>	<u>(492,067)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,681,519</u>	<u>-</u>	<u>1,681,519</u>	<u>1,637,923</u>
EXPENSES				
Program Services	<u>1,039,019</u>	<u>-</u>	<u>1,039,019</u>	<u>802,844</u>
Supporting Services:				
Management and General	318,567	-	318,567	236,321
Fundraising	<u>323,933</u>	<u>-</u>	<u>323,933</u>	<u>598,758</u>
Total supporting services	<u>642,500</u>	<u>-</u>	<u>642,500</u>	<u>835,079</u>
Total expenses	<u>1,681,519</u>	<u>-</u>	<u>1,681,519</u>	<u>1,637,923</u>
Change in net assets	-	-	-	-
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009				2008	
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 193,128	\$ 83,803	\$ 19,261	\$ 103,064	\$ 296,192	\$ 205,695
Benefits	38,811	16,761	3,852	20,613	59,424	39,995
Payroll taxes	16,061	6,969	1,602	8,571	24,632	16,043
Legal	-	1,005	-	1,005	1,005	1,529
Consultants	-	11,485	96	11,581	11,581	8,442
Direct mail	41,079	-	295,320	295,320	336,399	559,310
Occupancy (Note 4)	-	68,401	-	68,401	68,401	35,769
Accounting services	-	50,100	-	50,100	50,100	36,106
Insurance	-	3,688	-	3,688	3,688	4,158
Communications	10,416	7,957	-	7,957	18,373	4,227
Travel	16,767	29,176	-	29,176	45,943	62,109
Postage and delivery	799	2,573	39	2,612	3,411	1,807
Supplies	216	11,580	283	11,863	12,079	5,803
Subscriptions and publications	3,814	16,186	-	16,186	20,000	4,122
Events and meeting	6,618	2,736	-	2,736	9,354	302
Bank fees	35	1,677	-	1,677	1,712	2,683
Grants	711,275	-	-	-	711,275	620,901
Miscellaneous	-	2,353	-	2,353	2,353	25,493
Depreciation and amortization	-	2,117	3,480	5,597	5,597	3,429
TOTAL	\$ 1,039,019	\$ 318,567	\$ 323,933	\$ 642,500	\$ 1,681,519	\$ 1,637,923

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,597	3,429
(Increase) decrease in:		
Accounts receivable	(1,177)	2,126
Grants receivable	(357,115)	3,384
Due from HI-France	(40,480)	(728,005)
Prepaid expenses	618	(6,504)
Increase (decrease) in:		
Accounts payable and accrued liabilities	14,853	(130,102)
Deferred revenue	(135,076)	286,664
HI-France grant payable	166,519	744,928
Other current liabilities	<u>33,762</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(312,499)</u>	<u>175,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>-</u>	<u>(16,791)</u>
Net cash used by investing activities	<u>-</u>	<u>(16,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>3,190</u>	<u>-</u>
Net cash provided by financing activities	<u>3,190</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(309,309)	159,129
Cash and cash equivalents at beginning of year	<u>388,350</u>	<u>229,221</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 79,041</u>	<u>\$ 388,350</u>

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, HI-US has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact HI-US's financial position or results of operations.

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, 2008, 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.

Receivables -

Receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, HI-US has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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 -

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.

HANDICAP INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

2. LOAN PAYABLE

During 2009, HI-US entered into a non-interest bearing loan payable due on demand for capital improvements. The balance at December 31, 2009 was \$3,190. The balance of the loan was paid in full in February 2010.

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:

Elma Foundation	\$ 150,000
Angelina Jolie Foundation	27,923
HI-Belgium Ban Advocates	7,107
Diana Memorial Fund	32,326
Wellspring Phase I	42,860
Wellspring Phase II	82,903
Wellspring DPO	122,817
Adopt a Minefield	25,731
Other Contribution	<u>400</u>
	<u>\$ 492,067</u>

4. LEASE COMMITMENT

Effective November 1, 2009, HI-US entered into a one year lease agreement with Survey Action Center for office space in Takoma Park, Maryland. The amended lease expires on May 31, 2010. Under the agreement, HI-US took on additional office space. Rent expense for the year ended December 31, 2009 was \$65,211. The Executive Directors of Survey Action Center and HI-US are related parties.

Subsequent to year end, HI-US signed a new five year lease agreement for office space. The new lease commences June 1, 2010 and expires on May 31, 2015.

Future minimum payments are as follows:

Year Ended December 31,

2010	\$ 78,286
2011	81,619
2012	84,067
2013	86,589
2014	89,187
Thereafter	<u>37,618</u>
	<u>\$ 457,366</u>

HANDICAP INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

5. 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, 2009, operational support to HI-US totaled \$823,787. Additionally, HI-US raised \$643,564 in grant funds on behalf of HI-France. HI-US and HI-France also share Board members.

6. ALLOCATION OF JOINT COSTS

During the year ended December 31, 2009, HI-US incurred joint costs of \$163,999 for informational materials and direct-mail campaigns that included fundraising appeals. Of these costs, \$122,920 was allocated to fundraising expense and \$41,079 was allocated to program services.

7. SUBSEQUENT EVENTS

In preparing these financial statements, HI-US has evaluated events and transactions for potential recognition or disclosure through May 13, 2010, the date the financial statements were issued.