

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2015**

# HANDICAP INTERNATIONAL

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Handicap International  
Silver Spring, 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, 2016, 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, 2016, 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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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Report on Summarized Comparative Information**

We have previously audited HI-US's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

July 6, 2017

**HANDICAP INTERNATIONAL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,744,379	\$ 844,558
Accounts receivable	21,971	20,990
Grants receivable - Foundations	14,000	-
Grants receivable - Federal	4,029,470	4,102,799
Prepaid expenses	<u>18,035</u>	<u>17,848</u>
Total current assets	<u>6,827,855</u>	<u>4,986,195</u>
<b>FIXED ASSETS</b>		
Equipment	9,950	9,950
Less: Accumulated depreciation	<u>(9,950)</u>	<u>(8,637)</u>
Net fixed assets	<u>-</u>	<u>1,313</u>
<b>SECURITY DEPOSIT</b>	<u>7,042</u>	<u>7,042</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,834,897</u></b>	<b><u>\$ 4,994,550</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 75,478	\$ 97,451
Deferred rent	3,346	-
Due to HI-Federation	2,564,919	2,600,588
Due to HI-Federation Affiliated Organizations	<u>3,448,955</u>	<u>1,645,497</u>
Total current liabilities	<u>6,092,698</u>	<u>4,343,536</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred rent	<u>33,791</u>	<u>36,432</u>
Total liabilities	<u>6,126,489</u>	<u>4,379,968</u>
<b>NET ASSETS</b>		
Unrestricted	<u>330,026</u>	<u>330,026</u>
Temporarily restricted	131,382	37,556
Temporarily restricted reserve	<u>247,000</u>	<u>247,000</u>
Total temporarily restricted	<u>378,382</u>	<u>284,556</u>
Total net assets	<u>708,408</u>	<u>614,582</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,834,897</u></b>	<b><u>\$ 4,994,550</u></b>

See accompanying notes to financial statements.

## HANDICAP INTERNATIONAL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015	
	Unrestricted	Temporarily Restricted	Temporarily Restricted Reserve	Total	Total
<b>REVENUE</b>					
Foundation grants	\$ 1,532,420	\$ 214,000	\$ -	\$ 1,746,420	\$ 1,474,760
Government grants	13,092,192	-	-	13,092,192	13,858,464
Contributions	308,846	-	-	308,846	543,378
In-kind contributions	79,385	-	-	79,385	-
Interest and other revenue	1,924	-	-	1,924	1,368
Net assets released from donor restrictions	<u>120,174</u>	<u>(120,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>15,134,941</u>	<u>93,826</u>	<u>-</u>	<u>15,228,767</u>	<u>15,877,970</u>
<b>EXPENSES</b>					
Program Services	<u>14,025,211</u>	<u>-</u>	<u>-</u>	<u>14,025,211</u>	<u>15,164,244</u>
Supporting Services:					
Management and General	744,084	-	-	744,084	667,346
Fundraising	<u>365,646</u>	<u>-</u>	<u>-</u>	<u>365,646</u>	<u>305,377</u>
Total supporting services	<u>1,109,730</u>	<u>-</u>	<u>-</u>	<u>1,109,730</u>	<u>972,723</u>
Total expenses	<u>15,134,941</u>	<u>-</u>	<u>-</u>	<u>15,134,941</u>	<u>16,136,967</u>
Change in net assets	-	93,826	-	93,826	(258,997)
Net assets at beginning of year	<u>330,026</u>	<u>37,556</u>	<u>247,000</u>	<u>614,582</u>	<u>873,579</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 330,026</u></b>	<b><u>\$ 131,382</u></b>	<b><u>\$ 247,000</u></b>	<b><u>\$ 708,408</u></b>	<b><u>\$ 614,582</u></b>

## HANDICAP INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016				2015	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries	\$ 341,081	\$ 341,258	\$ 165,441	\$ 506,699	\$ 847,780	\$ 746,556
Benefits	86,378	104,605	46,849	151,454	237,832	195,155
Payroll taxes	25,138	28,310	12,645	40,955	66,093	59,285
Staff training and recruitment	2,746	2,729	1,189	3,918	6,664	19,894
Legal	-	7,640	-	7,640	7,640	4,614
Consultants	4,703	44,851	27,111	71,962	76,665	119,984
Donor mailings	-	-	35,687	35,687	35,687	49,637
Occupancy	39,320	33,703	19,259	52,962	92,282	84,981
Accounting and auditing services	-	37,059	-	37,059	37,059	34,767
Insurance	42	19,622	-	19,622	19,664	7,828
Communications	18,850	56,653	26,381	83,034	101,884	18,494
Travel	34,884	25,788	12,502	38,290	73,174	77,998
Postage and delivery	29	510	3,038	3,548	3,577	3,543
Supplies	1,931	29,796	8,365	38,161	40,092	85,015
Subscriptions and publications	3,354	6,402	2,913	9,315	12,669	8,880
Events and meeting	6,991	3,290	333	3,623	10,614	15,127
Bank fees	321	555	3,933	4,488	4,809	4,635
Grants to HI-Federation and affiliated organizations	13,459,443	-	-	-	13,459,443	14,597,733
Depreciation and amortization	-	1,313	-	1,313	1,313	2,841
<b>TOTAL</b>	<b>\$14,025,211</b>	<b>\$ 744,084</b>	<b>\$ 365,646</b>	<b>\$1,109,730</b>	<b>\$ 15,134,941</b>	<b>\$ 16,136,967</b>

**HANDICAP INTERNATIONAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 93,826	\$ (258,997)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,313	2,841
(Increase) decrease in:		
Accounts receivable	(981)	15,294
Grants receivable - Foundations	(14,000)	120,415
Grants receivable - Federal	73,329	440,617
Prepaid expenses	(187)	(10,850)
Deposits	-	(7,042)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(21,973)	(85,601)
Deferred rent	705	36,432
Due to/from HI-Federation	(35,669)	(409,156)
Due to/from HI-Federation Affiliated Organizations	<u>1,803,458</u>	<u>322,523</u>
Net cash provided by operating activities	<u>1,899,821</u>	<u>166,476</u>
Net increase in cash and cash equivalents	1,899,821	166,476
Cash and cash equivalents at beginning of year	<u>844,558</u>	<u>678,082</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,744,379</u></b>	<b><u>\$ 844,558</u></b>



**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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 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 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, 2015, 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, 2016**

**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, 2016, 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.

Deferred revenue -

Deferred revenue represents advance funding for a specific purpose project. The revenue is recognized once expenses are incurred and HI-US is reimbursed from the advance.

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 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, 2016**

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

In-kind contributions -

In-kind contributions consisted of Google ads. In-kind contributions are recorded at their fair market value as of the date of the gift (Note 8).

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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of HI-US's financial statements, it is not expected to alter HI-US's reported financial position.

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016:

<b>Making It Work Phase IV</b>	<b>\$ <u>131,382</u></b>
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**3. TEMPORARILY 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.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**3. TEMPORARILY RESTRICTED RESERVE (Continued)**

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, 2016, the balance of the restricted reserve was \$247,000.

**4. 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	\$	68,618
MDP Mectizan		19,750
Johns Hopkins-Health, Economic and Long-Term Social impact of Injuries (HEAL)		31,806
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$</b>	<b>120,174</b>

**5. LEASE COMMITMENT**

During May 2015, HI-US signed a 65-month lease, which expires on November 30, 2020. The lease has a base annual rent of \$84,504, with an annual escalation of 4.5%.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

Rent expense for the year ended December 31, 2016 was \$92,282. The deferred rent liability was \$37,137.

Future minimum payments are as follows at December 31, 2016:

<u>Year Ending December 31</u>	
2017	\$ 90,294
2018	94,357
2019	98,603
2020	94,264
	<b>\$ 377,518</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, 2016 was \$44,751.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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, 2016, they contributed \$216,077 for the HI-Federation and \$31,000 for the HI-Federation Affiliated Organizations.

The HI-Federation reimburses HI-US for operational expenses. For the year ended December 31, 2016, operational support to HI-US totaled \$1,532,420.

Additionally, HI-US expended \$9,206,399 in sub-grants to the HI-Federation and \$4,253,044 for the HI-Federation Affiliated Organizations (both of which include the 80% of unrestricted contributions). HI-Federation and the HI-Federation Affiliated Organizations implement the programs. HI-US and the HI-Federation also share two Board members. For the year ended December 31, 2016, HI-US owed HI-Federation \$2,564,919 and owed the HI-Federation Affiliated Organizations \$3,448,955.

**8. IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2016, 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, 2016.

<b>Donated Google Ads</b>	<b>\$ <u>79,385</u></b>
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The following programs have benefited from these donated services:

Program Services	\$ 15,877
Management and General	47,631
Fundraising	<u>15,877</u>
	<b>\$ <u>79,385</u></b>

**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*.

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 2016. 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.

**HANDICAP INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**10. CONCENTRATION OF REVENUE**

Excluding in-kind revenue, approximately 86% of HI-US's revenue for the year ended December 31, 2016 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's ability to finance ongoing operations.

**11. PROGRAM SERVICES**

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

	<u>2016</u>	<u>2015</u>
Rehabilitation	\$ 4,571,072	\$ 5,840,906
Disability Rights and Inclusion	3,055,099	4,026,306
Emergency	2,504,895	3,343,220
Mine Action	2,302,041	1,487,771
Health and Prevention	<u>1,592,104</u>	<u>466,041</u>
<b>TOTAL PROGRAM SERVICES</b>	<b><u>\$ 14,025,211</u></b>	<b><u>\$ 15,164,244</u></b>

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, HI-US has evaluated events and transactions for potential recognition or disclosure through July 6, 2017, the date the financial statements were issued.