

FINANCIAL STATEMENTS

HANDICAP INTERNATIONAL

FOR THE YEAR ENDED DECEMBER 31, 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, 2006, 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.

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, 2006, 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 4, 2007

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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, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 177,854
Accounts receivable	<u>91,161</u>

TOTAL ASSETS	\$ <u>269,015</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>16,866</u>
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Total current liabilities	<u>16,866</u>
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NET ASSETS

Unrestricted	14,710
Temporarily restricted	<u>237,439</u>

Total net assets	<u>252,149</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>269,015</u>
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HANDICAP INTERNATIONAL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 725	\$ -	\$ 725
Foundation grants	231,745	310,039	541,784
Interest/dividend income	953	-	953
Other revenue	121	-	121
Direct mail	20,387	-	20,387
Net assets released from donor restrictions	<u>72,600</u>	<u>(72,600)</u>	<u>-</u>
Total revenue	<u>326,531</u>	<u>237,439</u>	<u>563,970</u>
EXPENSES			
Program services	<u>45,108</u>	<u>-</u>	<u>45,108</u>
Supporting services:			
Management and General	79,241	-	79,241
Fundraising	<u>187,472</u>	<u>-</u>	<u>187,472</u>
Total supporting services	<u>266,713</u>	<u>-</u>	<u>266,713</u>
Total expenses	<u>311,821</u>	<u>-</u>	<u>311,821</u>
Change in net assets	14,710	237,439	252,149
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,710</u>	<u>\$ 237,439</u>	<u>\$ 252,149</u>

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 20,000	\$ 33,333	\$ 13,333	\$ 66,666
Benefits	600	1,000	400	2,000
Payroll taxes	1,307	2,178	871	4,356
Legal	1,870	7,480	-	9,350
Consultants	3,794	6,324	2,530	12,648
Direct mail consultants	-	-	33,273	33,273
Occupancy	2,510	4,184	1,674	8,368
Accounting services	1,464	5,856	-	7,320
Insurance	283	473	189	945
Telephone	728	1,212	485	2,425
Travel and entertainment	3,382	5,636	2,254	11,272
Postage and delivery	1,258	314	125,676	127,248
Supplies	681	1,135	454	2,270
Subscriptions and publications	5,678	9,464	3,786	18,928
Events and meeting	1,162	-	-	1,162
Bank fees	128	213	85	426
Direct mail	-	-	2,287	2,287
Miscellaneous	263	439	175	877
TOTAL	\$ 45,108	\$ 79,241	\$ 187,472	\$ 311,821

See accompanying notes to financial statements.

HANDICAP INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 252,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts receivable	(91,161)
Increase (decrease) in:	
Accounts payable and accrued liabilities	<u>16,866</u>
Net cash provided by operating activities	<u>177,854</u>
Net increase in cash and cash equivalents	177,854
Cash and cash equivalents at beginning of year	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 177,854</u>

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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, MD. 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".

Cash and cash equivalents -

Handicap International 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, Handicap International 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.

Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Income taxes -

Handicap International 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. Handicap International is not a private foundation.

Net asset classification -

The net assets are reported in three 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 Handicap International 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 Handicap International 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.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by Handicap International.

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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.

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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2006:

French American Charitable Trust	\$ 4,000
Adopt a Minefield	<u>233,439</u>
	<u>\$ 237,439</u>

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:

Adopt a Minefield	<u>\$ 72,600</u>
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4. LEASE COMMITMENT

Effective December 1, 2006 HI entered into a one-year lease agreement with Survey Action Center for office space in Takoma, Maryland. Rent expense for the year ended December 31, 2006 was \$8,368. Future minimum payments are as follows:

<u>Year Ended December 31,</u>	
2007	<u>\$ 14,718</u>

HANDICAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

5. 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, 2006, HI-France paid HI-US \$194,299. As of December 31, 2006, approximately \$37,446 was due from HI-France, which is included in accounts receivable in the accompanying financial statements.

Survey Action Center (SAC) provides accounting services, rental space and office supplies for Handicap International. During 2006 HI paid SAC around \$13,644.