



**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

# HUMANITY & INCLUSION

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## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

# HUMANITY & INCLUSION

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

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

#### Report on the Financial Statements

We have audited the accompanying statement of financial position of Humanity & Inclusion (HI US), which comprises the statement of financial position as of December 31, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(17 - 20), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019 on our consideration of HI US's 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 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 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's internal control over financial reporting and compliance.



July 31, 2019

**HUMANITY & INCLUSION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

|  | <b>2018</b>                 | <b>2017</b>                 |
|--|-----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>                    |                             |                             |
| Cash and cash equivalents                | \$ 324,443                  | \$ 2,848,825                |
| Accounts receivable                      | 29,973                      | 44,950                      |
| Grants receivable - Foundations          | -                           | 14,000                      |
| Grants receivable - Federal              | 14,672,175                  | 8,870,959                   |
| Prepaid expenses                         | <u>19,926</u>               | <u>27,302</u>               |
| Total current assets                     | <u>15,046,517</u>           | <u>11,806,036</u>           |
| <b>FIXED ASSETS</b>                      |                             |                             |
| Website                                  | 12,800                      | 9,950                       |
| Less: Accumulated amortization           | <u>(4,006)</u>              | <u>(9,950)</u>              |
| Net fixed assets                         | <u>8,794</u>                | <u>-</u>                    |
| <b>SECURITY DEPOSIT</b>                  | <u>7,042</u>                | <u>7,042</u>                |
| <b>TOTAL ASSETS</b>                      | <b><u>\$ 15,062,353</u></b> | <b><u>\$ 11,813,078</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>        |                             |                             |
| <b>CURRENT LIABILITIES</b>               |                             |                             |
| Accounts payable and accrued liabilities | \$ 226,155                  | \$ 88,141                   |
| Deferred rent                            | 12,439                      | 7,435                       |
| Due to HI Federation                     | <u>14,047,207</u>           | <u>10,952,367</u>           |
| Total current liabilities                | <u>14,285,801</u>           | <u>11,047,943</u>           |
| <b>LONG-TERM LIABILITIES</b>             |                             |                             |
| Deferred rent, net of current portion    | <u>15,327</u>               | <u>26,344</u>               |
| Total liabilities                        | <u>14,301,128</u>           | <u>11,074,287</u>           |
| <b>NET ASSETS</b>                        |                             |                             |
| Net assets without donor restrictions    | 330,026                     | 330,026                     |
| Net assets with donor restrictions       | <u>431,199</u>              | <u>408,765</u>              |
| Total net assets                         | <u>761,225</u>              | <u>738,791</u>              |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b><u>\$ 15,062,353</u></b> | <b><u>\$ 11,813,078</u></b> |

## HUMANITY &amp; INCLUSION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|   | 2018                             |                            |                   | 2017              |
|---|----------------------------------|----------------------------|-------------------|-------------------|
|   | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total             | Total             |
| <b>REVENUE</b>                              |                                  |                            |                   |                   |
| Foundation grants                           | \$ 1,976,787                     | \$ 307,849                 | \$ 2,284,636      | \$ 1,895,365      |
| Government grants and contracts             | 29,824,480                       | -                          | 29,824,480        | 22,521,027        |
| Contributions                               | 404,236                          | -                          | 404,236           | 459,770           |
| In kind contributions                       | 285,493                          | -                          | 285,493           | 77,225            |
| Interest and other revenue                  | 1,037                            | -                          | 1,037             | 364               |
| Net assets released from donor restrictions |                                  |                            |                   |                   |
|   | 285,415                          | (285,415)                  | -                 | -                 |
| Total revenue                               | 32,777,448                       | 22,434                     | 32,799,882        | 24,953,751        |
| <b>EXPENSES</b>                             |                                  |                            |                   |                   |
| Program Services                            | 31,603,711                       | -                          | 31,603,711        | 23,866,857        |
| Supporting Services:                        |                                  |                            |                   |                   |
| Management and General                      | 616,572                          | -                          | 616,572           | 617,386           |
| Fundraising                                 | 557,165                          | -                          | 557,165           | 439,125           |
| Total supporting services                   | 1,173,737                        | -                          | 1,173,737         | 1,056,511         |
| Total expenses                              | 32,777,448                       | -                          | 32,777,448        | 24,923,368        |
| Change in net assets                        | -                                | 22,434                     | 22,434            | 30,383            |
| Net assets at beginning of year             | 330,026                          | 408,765                    | 738,791           | 708,408           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b>\$ 330,026</b>                | <b>\$ 431,199</b>          | <b>\$ 761,225</b> | <b>\$ 738,791</b> |



## HUMANITY &amp; INCLUSION

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|   | 2018                 |                           |                   | 2017                 |                      |
|---|----------------------|---------------------------|-------------------|----------------------|----------------------|
|   | Program<br>Services  | Supporting Services       |                   | Total<br>Expenses    | Total<br>Expenses    |
|   |                      | Management<br>and General | Fundraising       |                      |                      |
| Salaries  | \$ 506,387           | \$ 279,378                | \$ 196,961        | \$ 982,726           | \$ 896,209           |
| Benefits  | 132,161              | 82,566                    | 61,892            | 276,619              | 264,550              |
| Payroll taxes   | 37,254               | 19,451                    | 14,223            | 70,928               | 65,314               |
| Staff training and recruitment                          | 5,909                | 8,544                     | 306               | 14,759               | 8,286                |
| Legal   | 108,593              | 3,522                     | -                 | 112,115              | 9,765                |
| Consultants   | 14,003               | 51,123                    | 47,138            | 112,264              | 136,733              |
| Donor mailings  | -                    | -                         | 66,037            | 66,037               | 37,547               |
| Occupancy   | 52,636               | 20,941                    | 16,273            | 89,850               | 92,333               |
| Accounting and auditing services                        | -                    | 45,662                    | -                 | 45,662               | 35,942               |
| Insurance   | -                    | 20,319                    | -                 | 20,319               | 19,790               |
| Communications  | 127,886              | 6,121                     | 106,942           | 240,949              | 103,015              |
| Travel  | 34,102               | 26,534                    | 11,958            | 72,594               | 82,330               |
| Postage and delivery                                    | 94                   | 746                       | 2,916             | 3,756                | 3,195                |
| Supplies  | 8,765                | 32,894                    | 12,153            | 53,812               | 42,192               |
| Subscriptions and publications                          | 10,871               | 3,086                     | 2,624             | 16,581               | 15,863               |
| Events and meeting                                      | 12,666               | 11,305                    | 10,576            | 34,547               | 31,595               |
| Bank fees   | 631                  | 374                       | 7,166             | 8,171                | 6,086                |
| Grants to HI Federation and<br>affiliated organizations | 30,460,082           | -                         | -                 | 30,460,082           | 23,072,623           |
| Allowance for operational risk                          | 91,671               | -                         | -                 | 91,671               | -                    |
| Amortization  | -                    | 4,006                     | -                 | 4,006                | -                    |
| <b>TOTAL</b>  | <b>\$ 31,603,711</b> | <b>\$ 616,572</b>         | <b>\$ 557,165</b> | <b>\$ 32,777,448</b> | <b>\$ 24,923,368</b> |

## HUMANITY &amp; INCLUSION

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|   | <u>2018</u>              | <u>2017</u>                |
|---|--------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                            |
| Change in net assets  | \$ 22,434                | \$ 30,383                  |
| Adjustments to reconcile change in net assets to net cash<br>(used) provided by operating activities: |                          |                            |
| Amortization  | 4,006                    | -                          |
| Decrease (increase) in:   |                          |                            |
| Accounts receivable   | 14,977                   | (22,979)                   |
| Grants receivable - Foundations   | 14,000                   | -                          |
| Grants receivable - Federal   | (5,801,216)              | (4,841,489)                |
| Prepaid expenses  | 7,376                    | (9,267)                    |
| Increase (decrease) in:   |                          |                            |
| Accounts payable and accrued liabilities  | 138,014                  | 12,664                     |
| Deferred rent   | (6,013)                  | (3,358)                    |
| Due to HI Federation  | <u>3,094,840</u>         | <u>4,938,492</u>           |
| Net cash (used) provided by operating activities  | <u>(2,511,582)</u>       | <u>104,446</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                            |
| Purchase of furniture and equipment   | <u>(12,800)</u>          | <u>-</u>                   |
| Net cash used by investing activities   | <u>(12,800)</u>          | <u>-</u>                   |
| Net (decrease) increase in cash and cash equivalents  | (2,524,382)              | 104,446                    |
| Cash and cash equivalents at beginning of year  | <u>2,848,825</u>         | <u>2,744,379</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b><u>\$ 324,443</u></b> | <b><u>\$ 2,848,825</u></b> |

## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 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 for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, 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 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.

## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### Fixed assets (continued) -

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 as incurred. Websites are amortized over an estimated useful life of three years.

##### Income taxes -

HI US is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. HI US is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2018, 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.

##### Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) 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** - Grants and 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 grants and 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 restrictions.

##### Grants and contributions -

Grants and contributions received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Grants and contributions 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 restriction in the accompanying financial statements.

HI US receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs.

## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### Grants and contributions (continued) -

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 income without donor restrictions 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.

##### In kind contributions -

In kind contributions consisted primarily of donated advertising space and pro-bono legal services. 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.

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 estimated time and effort or other reasonable basis.

##### 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.

##### Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$330,026 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$408,765 are now classified as net assets with donor restrictions.

## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. HI US has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. HI US has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

HI US plans to adopt the new ASUs at the respective required implementation dates.

#### 2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

##### Subject to Expenditure for Specified Purposes:

|  |                          |
|--|--------------------------|
| Making It Work Phase V   | \$ 173,098               |
| Miracle Feet Sri Lanka II  | 4,706                    |
| Russel Barrie: Enhancing psychosocial and rehabilitation support for Rohingya children through therapeutic play    | 4,000                    |
| Microsoft: Bringing digital capabilities to resource rooms in Rwanda to enhance learning outcomes for all students | 2,395                    |
| Net Asset Reserve  | <u>247,000</u>           |
| <b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>  | <b><u>\$ 431,199</u></b> |

## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 2. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

##### 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, 2018, 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:   |                          |
| Making It Work Phase IV  | \$ 155,880               |
| Miracle Feet Sri Lanka   | 16,480                   |
| IDEO Amplify Challenge   | 4,180                    |
| IDEO Amplify Challenge II  | 3,432                    |
| Making It Work Phase V   | 51,911                   |
| Miracle Feet Sri Lanka II  | 22,198                   |
| Disaster Risk Reduction Workshops in Myanmar   | 17,728                   |
| Microsoft: Bringing digital capabilities to resource rooms in Rwanda to enhance learning outcomes for all students | <u>13,606</u>            |
| <b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>   | <b><u>\$ 285,415</u></b> |

#### 4. LIQUIDITY

Financial assets available for use within one year of the statement of financial position for general expenditures comprise the following as of December 31, 2018:

|   |                             |
|---|-----------------------------|
| Cash and cash equivalents   | \$ 324,443                  |
| Accounts receivable   | 29,973                      |
| Grants receivable - Federal   | 14,672,175                  |
| Less: Donor restrictions for specific purposes  | <u>(431,199)</u>            |
| <b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b> | <b><u>\$ 14,595,392</u></b> |

HI US has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, HI US has financial assets equal to approximately five months of operating expenses. 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.

## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 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, 2018 was \$89,850. The deferred rent liability was \$27,766.

Future minimum payments are as follows at December 31, 2018:

#### Year Ending December 31

|      |    |                       |
|------|----|-----------------------|
| 2019 | \$ | 98,965                |
| 2020 |    | <u>94,642</u>         |
|      | \$ | <u><u>193,607</u></u> |

#### 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. 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, 2018 was \$53,081.

#### 7. RELATED PARTY TRANSACTIONS

HI US is a part of the Handicap International DBA Humanity & Inclusion 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, 2018, they contributed \$248,412 to HI-Federation. HI US also contributed \$75,000 to HI Federation Affiliated Organizations.

The HI Federation reimburses HI US for operational expenses. For the year ended December 31, 2018, operational support to HI US totaled \$1,920,913.

Additionally, HI US expended \$21,300,840 in sub-grants to the HI Federation and \$9,159,242 for the HI Federation Affiliated Organizations (both of which include the 80% of unrestricted contributions). The HI Federation and the HI Federation Affiliated Organizations implement the programs. HI US and the HI Federation also share two Board members.



## HUMANITY & INCLUSION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 7. RELATED PARTY TRANSACTIONS (Continued)

For the year ended December 31, 2018, HI US owed the HI Federation \$14,047,207.

#### 8. IN KIND CONTRIBUTIONS

During the year ended December 31, 2018, 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, 2018.

|                           |                          |
|---------------------------|--------------------------|
| Donated advertising space | \$ 186,346               |
| Pro-bono legal services   | 98,288                   |
| Other donations           | <u>859</u>               |
|                           | <b><u>\$ 285,493</u></b> |

The following programs have benefited from these donated services:

|                        |                          |
|------------------------|--------------------------|
| Program Services       | \$ 205,509               |
| Management and General | 8,503                    |
| Fundraising            | <u>71,481</u>            |
|                        | <b><u>\$ 285,493</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 (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 2018. 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 92% of HI US's revenue for the year ended December 31, 2018 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.

**HUMANITY & INCLUSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**11. PROGRAM SERVICES**

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

|                                 |                             |
|---------------------------------|-----------------------------|
| Rehabilitation                  | \$ 2,761,491                |
| Disability Rights and Inclusion | 3,911,116                   |
| Emergency                       | 14,614,090                  |
| Mine Action                     | 4,986,888                   |
| Health and Prevention           | <u>5,330,126</u>            |
| <b>TOTAL PROGRAM SERVICES</b>   | <b><u>\$ 31,603,711</u></b> |

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, HI US has evaluated events and transactions for potential recognition or disclosure through July 31, 2019, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

## HUMANITY &amp; INCLUSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

| Federal Granting Agency and Program Title   | Pass-Through<br>Entity                                  | Pass-Through Entity<br>ID Number | CFDA<br>Number | Pass-Through to<br>Subrecipients | 2018<br>Expenditures |
|---|---|----------------------------------|----------------|----------------------------------|----------------------|
| <b>United States Department of State</b>  |   |                                  |                |                                  |                      |
| Disability Rights and Inclusion - A Vehicle for Empowerment in the DPRK   | N/A   | N/A                              | 19.345         | \$ 25,823                        | \$ 25,823            |
| DRL - SMArt 24 Project - Supporting and Monitoring the Implementation of Article 24 on Education of the UNCRPD  | N/A   | N/A                              | 19.345         | 184,904                          | 184,904              |
| Promote Disability Inclusive Development in China through Encouraging Collaboration Between Disability Field and Development Field  | N/A   | N/A                              | 19.345         | 299,345                          | 299,345              |
| Strengthening Civil Society in Sri Lanka: Empowering Women for Inclusive and Sustainable Transitional Justice and Reconciliation  | N/A   | N/A                              | 19.345         | 83,801                           | 83,801               |
| <b>Subtotal CFDA 19.345</b>   |   |                                  |                | <b>593,873</b>                   | <b>593,873</b>       |
| Professional Fellows Program on Inclusive Disability Employment in Kenya, Tanzania and Uganda   | Association of<br>University Centers<br>on Disabilities | 33-17-8150                       | 19.415         | 40,567                           | 40,567               |
| Professional Fellows Program on Inclusive Disability Employment in Kenya, Tanzania and Uganda   | Association of<br>University Centers<br>on Disabilities | 33-17-8151                       | 19.415         | 1,464                            | 1,464                |
| <b>Subtotal CFDA 19.415</b>   |   |                                  |                | <b>42,031</b>                    | <b>42,031</b>        |
| Supporting the Inclusion of Men and Women with Disability and Encouraging Safe Mine/ERW Practices Along the Thai Burma Border   | N/A   | N/A                              | 19.511         | 357,360                          | 357,360              |
| Supporting the Inclusive and Sustainable Humanitarian Assistance to Burmese Refugees towards their Resilience and Safe Voluntary Repatriation   | N/A   | N/A                              | 19.511         | 137,372                          | 137,372              |
| <b>Subtotal CFDA 19.511</b>   |   |                                  |                | <b>494,732</b>                   | <b>494,732</b>       |
| Strengthening Inclusion and Access to Services for Persons with Specific Needs and Persons with Mental Health & Psychosocial Support Needs  | N/A   | N/A                              | 19.517         | 719,664                          | 719,664              |
| Enhanced Protection, Empowerment, and Improvement of Quality of Life of Persons with Disabilities and Older Persons in Kakuma Refugee Camp, Kalobeyei Settlement, Dadaab Refugee Camp and Wider Hosting Community                       | N/A   | N/A                              | 19.517         | 1,017,998                        | 1,017,998            |
| Enhanced Protection, Empowerment, Peaceful Coexistence, and Improvement of Quality of Life of Persons with Disabilities and Older Persons in Kakuma Refugee Camp, Kalobeyei Settlement, Dadaab Refugee Camp and Wider Hosting Community | N/A   | N/A                              | 19.517         | 550,925                          | 550,925              |
| Comprehensive Refugee Health Response PRM Uganda  | Medical Teams<br>International                          | SPRMCO18CA0070                   | 19.517         | 94,049                           | 94,049               |
| <b>Subtotal CFDA 19.517</b>   |   |                                  |                | <b>2,382,636</b>                 | <b>2,382,636</b>     |

HUMANITY & INCLUSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

| Federal Granting Agency and Program Title   | Pass-Through<br>Entity | Pass-Through Entity<br>ID Number | CFDA<br>Number | Pass-Through to<br>Subrecipients | 2018<br>Expenditures |
|---|------------------------|----------------------------------|----------------|----------------------------------|----------------------|
| <b>United States Department of State (Continued)</b>  |                        |                                  |                |                                  |                      |
| Reduce the Vulnerability and Promote Equity Access to Humanitarian Assistance for Syrian Crisis Affected Persons with Disabilities  | N/A                    | N/A                              | 19.519         | \$ 1,044,742                     | \$ 1,044,742         |
| Improved Health and Education Outcomes of Conflict-Affected Iraqi IDPs and Returnees  | N/A                    | N/A                              | 19.519         | 2,267,526                        | 2,267,526            |
| <b>Subtotal CFDA 19.519</b>   |                        |                                  |                | <b>3,312,268</b>                 | <b>3,312,268</b>     |
| Promoting Inclusive Access to Services and Economic Opportunities for Persons with Disabilities in Rwanda (PIASO)   | N/A                    | N/A                              | 19.700         | 12,824                           | 12,824               |
| <b>Subtotal CFDA 19.700</b>   |                        |                                  |                | <b>12,824</b>                    | <b>12,824</b>        |
| Landmines/UXOs Clearance Operations in North Lebanon Province   | N/A                    | N/A                              | 19.800         | 380,507                          | 380,507              |
| Armed Violence Reduction in Sahel Zone. Physical Security and Stockpile Management in NIGER. PSSM 3   | N/A                    | N/A                              | 19.800         | 585,545                          | 585,545              |
| Humanitarian Mine Action in Burma : Inclusive Socioeconomic Development and Human Security for All  | N/A                    | N/A                              | 19.800         | 728,673                          | 728,673              |
| Descontamina Colombia - Vista Hermosa (zona 5)  | N/A                    | N/A                              | 19.800         | 1,184,560                        | 1,184,560            |
| Increase Civilian Security by Assisting Lebanon in Restoring Conditions Required for Sustainable Economic Development by Contributing to the Implementation of the National Mine Action Strategy and Clearing Affected Districts in Northern Lebanon of Landmines and Other Explosive Remnants of War (ERW) | N/A                    | N/A                              | 19.800         | 265,726                          | 265,726              |
| Protect Civilians in Niger through the Reduction of Illicit Arms Proliferation and Unplanned Explosions at Munitions Sites (UEMS) by Developing Host Nation Physical Security and Stockpile Management (PSSM) Capacity  | N/A                    | N/A                              | 19.800         | 11,847                           | 11,847               |
| Protect Civilians in Niger by Reducing the Risk of Illicit Arms Proliferation and Unexpected Ammunition Storage Explosions, with a Particular Focus on the Tillaberi Region   | N/A                    | N/A                              | 19.800         | 21,975                           | 21,975               |
| Land Release in Casamance - Phase III   | N/A                    | N/A                              | 19.800         | 108,715                          | 108,715              |
| Mine Clearance in San Vicente del Caguan—Zones 1,4 & 5  | N/A                    | N/A                              | 19.800         | 404,721                          | 404,721              |
| Mine Clearance and Lane Release in Purace and Cajibío Municipalities  | N/A                    | N/A                              | 19.800         | 124,638                          | 124,638              |
| <b>Subtotal CFDA 19.800</b>   |                        |                                  |                | <b>3,816,907</b>                 | <b>3,816,907</b>     |
| <b>United States Agency for International Development</b>   |                        |                                  |                |                                  |                      |
| STRIDE - Strengthening Rehabilitation In District Environment (from 01/10/14 after novation with HI-US)   | N/A                    | N/A                              | 98.001         | 668,386                          | 668,386              |
| The SUDA Project  | World Learning         | SPANS-035                        | 98.001         | 126,185                          | 126,185              |
| Alliance for Community Resilience - Consortium FFP  | N/A                    | N/A                              | 98.001         | (22,593)                         | (22,593)             |

HUMANITY & INCLUSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

| Federal Granting Agency and Program Title   | Pass-Through<br>Entity         | Pass-Through Entity<br>ID Number | CFDA<br>Number | Pass-Through to<br>Subrecipients | 2018<br>Expenditures |
|---|--------------------------------|----------------------------------|----------------|----------------------------------|----------------------|
| <b>United States Agency for International Development (Continued)</b>   |                                |                                  |                |                                  |                      |
| Reactivating Inclusive Education in Timbuktu as a Way of Strengthening the Culture of Peace and Togetherness (LIRE)   | N/A                            | N/A                              | 98.001         | \$ 120,680                       | \$ 120,680           |
| Training-Eco Empowerment-Assistive Tech and Medic/Physical Rehab Services for DRC   | N/A                            | APC-GM-0062                      |                | (2,767)                          | (2,767)              |
| Advancing Medical Care and Rehabilitation Education   | N/A                            | N/A                              | 98.001         | 1,418,950                        | 1,418,950            |
| Emergency Support to Conflict-Affected Internally Displaced, Returnee, and Host Communities in Ninewa, Kirkuk, and Diyala Governorates, Iraq  | N/A                            | N/A                              | 98.001         | 4,081,906                        | 4,081,906            |
| Emergency Food Security Program in Democratic Republic of the Congo (Assistance to Conflict-Affected Population in Central Kasai Province, DRC)   | N/A                            | N/A                              | 98.001         | 4,206,678                        | 4,206,678            |
| Inclusion of Deaf and Blind Children in Mainstream Schools in Sikasso   | N/A                            | N/A                              | 98.001         | 164,261                          | 164,261              |
| Enhancing Victim Assistance Services and Coordination in Kayin and Bago   | N/A                            | N/A                              | 98.001         | 127,608                          | 127,608              |
| Disability Sector Support Activity in Laos PDR  | N/A                            | N/A                              | 98.001         | 253,938                          | 253,938              |
| Emergency Food Security Program in Mali   | N/A                            | N/A                              | 98.001         | 6,265,204                        | 6,265,204            |
| Reading for All: Disability Inclusive Education for Nepali Children   | N/A                            | N/A                              | 98.001         | 290,539                          | 290,539              |
| Emergency Health and Protection Response for the Most Vulnerable Crisis Affected Persons in Libya   | N/A                            | N/A                              | 98.001         | 380,329                          | 380,329              |
| Logistics Platform: Logistics Common Services to Support the Humanitarian Community   | N/A                            | N/A                              | 98.001         | 676,220                          | 676,220              |
| Emergency Response in CAR   | N/A                            | N/A                              | 98.001         | 676,220                          | 676,220              |
| Equitable Access to Education in Southern Senegal   | N/A                            | N/A                              | 98.001         | 21,116                           | 21,116               |
| Emergency RE Contamination Surveys and Strengthening VA to Support Protection Needs of Returnees, Internally Displaced Persons and Conflict Affected Populations by Mitigating Risks from Explosive Hazards and Supporting VA | N/A                            | N/A                              | 98.001         | 65,211                           | 65,211               |
| Inclusive Disaster Risk Management in Natural Disaster Prone Areas: An Innovative Approach to Including Most at Risk Groups   | N/A                            | N/A                              | 98.001         | 228,549                          | 228,549              |
| Learn to Read via Save The Children USAID Learn to Read Activities in Laos PDR  | N/A                            | N/A                              | 98.001         | 8,809                            | 8,809                |
|   | Development Alternatives, Inc. | BTI_2-060                        | 98.001         | 127,608                          | 127,608              |
|   | World Education                | USAID-OKARD-001                  | 98.001         | 253,938                          | 253,938              |
|   | Family Health International    | 102454.001.009.005               | 98.001         | 21,116                           | 21,116               |
|   | The Mines Advisory Group       | 18-GR-00172                      | 98.001         | 65,211                           | 65,211               |
|   | Save the Children              | 11484                            | 98.001         | 8,809                            | 8,809                |
| <b>Subtotal CFDA 98.001</b>   |                                |                                  |                | <b>19,079,209</b>                | <b>19,079,209</b>    |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>   |                                |                                  |                | <b>\$ 29,734,480</b>             | <b>\$ 29,734,480</b> |

HUMANITY & INCLUSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of HI US under programs of the Federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of HI US; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of HI US.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. HI US has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3. Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements**

|   |                             |
|---|-----------------------------|
| Federal grants and contracts revenue per the Statement of |                             |
| Activities and Change in Net Assets                       | \$ 29,824,480               |
| Less: Federal contracts                                   | <u>(90,000)</u>             |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>               | <b><u>\$ 29,734,480</u></b> |

HUMANITY & INCLUSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting:

Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- Other matter of noncompliance identified?  Yes  No

3). Noncompliance material to financial statements noted?  Yes  No

Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported

5). Type of auditor's report issued on compliance for major programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

7). Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program</u>   |
|---------------------|--|
| 19.511              | United States Department of State - Overseas Refugee Assistance Programs for East Asia               |
| 19.519              | United States Department of State - Overseas Refugee Assistance Program for Near East and South Asia |
| 98.001              | United States Agency for International Development - Foreign Assistance for Programs Overseas        |

8). Dollar threshold used to distinguish between Type A and Type B programs: \$892,034

9). Auditee qualified as a low-risk auditee?  Yes  No



**HUMANITY & INCLUSION**

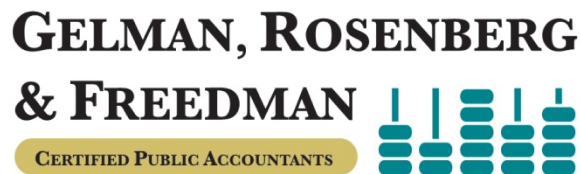
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section II - Financial Statement Findings**

There were no reportable findings.

**Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))**

There were no reportable findings.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Humanity & Inclusion (HI US) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise HI US's basic financial statements, and have issued our report thereon dated July 31, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HI US's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HI US's internal control. Accordingly, we do not express an opinion on the effectiveness of HI US's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of HI US's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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

## **Compliance and Other Matters**

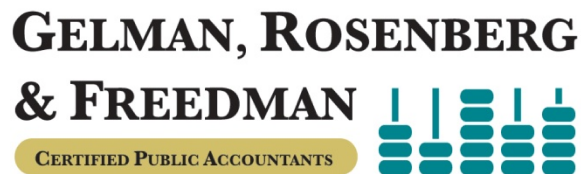
As part of obtaining reasonable assurance about whether HI US's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

July 31, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL  
REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST  
PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited Humanity & Inclusion's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HI US's major federal programs for the year ended December 31, 2018. HI US's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of HI US's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HI US's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of HI US's compliance.

**Opinion on Each Major Federal Program**

In our opinion, HI US complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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## Report on Internal Control Over Compliance

Management of HI US is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HI US's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HI US's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



July 31, 2019