

HELEN KELLER INTERNATIONAL INCORPORATED

***CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

JUNE 30, 2012

HELEN KELLER INTERNATIONAL INCORPORATED

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Trustees
Helen Keller International Incorporated
New York, New York**

We have audited the accompanying consolidated statement of financial position of Helen Keller International Incorporated (a New York not-for-profit corporation) (“HKI”) as of June 30, 2012, and the related consolidated statements of activities and changes in net assets and cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the HKI’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from HKI’s 2011 financial statements and, in our report dated January 30, 2012 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HKI, as of June 30, 2012, and the changes 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.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
January 24, 2013**

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 8,201,473	\$ 11,903,747
Cash held in international offices	3,699,310	6,203,054
Investments	8,554,803	8,473,182
Grants receivable	4,594,382	3,792,388
Other receivables	1,535,436	1,579,226
Beneficial interest in perpetual and restricted trusts	1,023,662	1,076,888
Fixed assets, net	878,908	925,369
Security deposits and other assets	<u>1,359,717</u>	<u>1,007,615</u>
Total assets	<u>\$ 29,847,691</u>	<u>\$ 34,961,469</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,538,045	\$ 2,645,347
Deferred revenue	11,983,928	19,199,653
Severance accrual – international offices	<u>770,354</u>	<u>747,909</u>
Total liabilities	<u>15,292,327</u>	<u>22,592,909</u>
NET ASSETS		
Unrestricted	6,529,535	7,322,300
Temporarily restricted	7,034,848	4,002,788
Permanently restricted	<u>990,981</u>	<u>1,043,472</u>
Total net assets	<u>14,555,364</u>	<u>12,368,560</u>
Total liabilities and net assets	<u>\$ 29,847,691</u>	<u>\$ 34,961,469</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30, 2012 with Summarized Information for 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>	<u>2011</u>
Operating Support and Revenue					
Support					
Contributions – corporation, foundations, and individuals	\$ 3,465,920	\$ 11,992,909	\$ -	\$ 15,458,829	\$ 13,758,377
Contributions – medical supplies, medicines and other (in-kind)	168,128,000	-	-	168,128,000	121,462,281
Legacies and trusts	273,557	-	-	273,557	1,136,626
Grants – U.S. Government agencies	22,478,410	-	-	22,478,410	19,076,440
Grants – Non U.S. Government agencies	11,668,845	2,015,809	-	13,684,654	6,954,115
Net assets released from restrictions	<u>11,093,786</u>	<u>(11,093,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support	<u>217,108,518</u>	<u>2,914,932</u>	<u>-</u>	<u>220,023,450</u>	<u>162,387,839</u>
Revenue					
Program and other revenue	23,401	113,160	-	136,561	18,524
Dividends and interest income	<u>20,204</u>	<u>4,703</u>	<u>-</u>	<u>24,907</u>	<u>32,080</u>
Total revenue	<u>43,605</u>	<u>117,863</u>	<u>-</u>	<u>161,468</u>	<u>50,604</u>
Total operating support and revenue	<u>217,152,123</u>	<u>3,032,795</u>	<u>-</u>	<u>220,184,918</u>	<u>162,438,443</u>
Expenses					
Program services:					
ChildSight®	1,602,492	-	-	1,602,492	1,650,409
Trachoma	971,898	-	-	971,898	938,032
Famine and Other Relief Services	5,082	-	-	5,082	905,548
Nutrition, including Vitamin A	28,379,181	-	-	28,379,181	24,330,770
Onchocerciasis	199,216	-	-	199,216	53,102
Eye Health	1,537,482	-	-	1,537,482	1,275,114
Neglected Tropical Diseases	9,490,613	-	-	9,490,613	5,748,501
Distribution of medicines and other (in-kind), primarily for blindness prevention	<u>168,106,500</u>	<u>-</u>	<u>-</u>	<u>168,106,500</u>	<u>121,447,834</u>
Total program services	<u>210,292,464</u>	<u>-</u>	<u>-</u>	<u>210,292,464</u>	<u>156,349,310</u>
Support services					
Management and general	6,670,126	-	-	6,670,126	5,755,475
Fund raising	<u>1,002,092</u>	<u>-</u>	<u>-</u>	<u>1,002,092</u>	<u>914,277</u>
Total support services	<u>7,672,218</u>	<u>-</u>	<u>-</u>	<u>7,672,218</u>	<u>6,669,752</u>
Total expenses	<u>217,964,682</u>	<u>-</u>	<u>-</u>	<u>217,964,682</u>	<u>163,019,062</u>
Excess (deficit) of revenue over expenses	(812,559)	3,032,795	-	2,220,236	(580,619)
Other Changes					
Net realized and unrealized gains on investments	19,794	-	-	19,794	87,744
Change in perpetual and restricted trusts	<u>-</u>	<u>(735)</u>	<u>(52,491)</u>	<u>(53,226)</u>	<u>143,773</u>
Change in net assets	(792,765)	3,032,060	(52,491)	2,186,804	(349,102)
Net Assets					
Beginning of year	<u>7,322,300</u>	<u>4,002,788</u>	<u>1,043,472</u>	<u>12,368,560</u>	<u>12,717,662</u>
End of year	<u>\$ 6,529,535</u>	<u>\$ 7,034,848</u>	<u>\$ 990,981</u>	<u>\$ 14,555,364</u>	<u>\$ 12,368,560</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 2,186,804	\$ (349,102)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	494,199	509,197
Net realized/unrealized (gain) loss on investments	(7,607)	55,981
Loss on disposal of fixed assets	24,143	65,092
Change in perpetual and restricted trusts	53,226	(143,773)
Changes in operating assets and liabilities		
Cash held in international offices	2,503,744	(958,346)
Grants receivable	(801,994)	(2,767,881)
Other receivables	43,790	(1,030,305)
Security deposits and other assets	(352,102)	(29,509)
Accounts payable and accrued expenses	(107,302)	1,114,379
Deferred revenue	(7,215,725)	4,716,754
Severance accrual – international offices	<u>22,445</u>	<u>88,646</u>
Net cash (used in) provided by operating activities	<u>(3,156,379)</u>	<u>1,271,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(471,881)	(414,613)
(Purchases)/Proceeds from sales of investments, net	<u>(74,014)</u>	<u>4,813,803</u>
Net cash (used in) provided by investing activities	<u>(545,895)</u>	<u>4,399,190</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,702,274)	5,670,323
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>11,903,747</u>	<u>6,233,424</u>
End of year	<u>\$ 8,201,473</u>	<u>\$ 11,903,747</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2012 with Summarized Information for 2011

	Program Services	Supporting Services			Totals	
		Management And General	Fund Raising	Total	2012	2011
Expenses						
Personnel	\$ 13,533,286	\$4,272,053	\$ 428,859	\$4,700,912	\$ 18,234,198	\$ 15,703,933
Travel (staff and trainees)	9,459,149	439,683	7,765	447,448	9,906,597	7,871,844
Subgrants	5,904,244	-	-	-	5,904,244	4,664,368
Meetings, conferences and training workshops	726,387	16,891	3,784	20,675	747,062	565,365
Equipment, supplies and maintenance	1,539,705	240,088	11,706	251,794	1,791,499	1,633,938
Program supplies	1,813,297	-	-	-	1,813,297	2,056,874
Vehicles and vehicle maintenance	2,158,871	11,328	42	11,370	2,170,241	1,906,081
Professional fees and services	2,354,975	572,169	57,600	629,769	2,984,744	2,377,574
Advertising and broadcasting	598,022	11,127	-	11,127	609,149	427,809
Postage	126,691	21,923	5,461	27,384	154,075	106,655
Direct mail	-	-	460,192	460,192	460,192	494,611
Telephone and communication	464,088	95,187	5,101	100,288	564,376	533,064
Depreciation	473,261	20,938	-	20,938	494,199	509,197
Occupancy	1,224,124	719,693	-	719,693	1,943,817	1,750,784
Printing	1,131,141	21,908	9,855	31,763	1,162,904	710,074
Other expense	<u>678,723</u>	<u>227,138</u>	<u>11,727</u>	<u>238,865</u>	<u>917,588</u>	<u>242,957</u>
Total expenses before in-kind	42,185,964	6,670,126	1,002,092	7,672,218	49,858,182	41,555,128
Medical supplies, medicines and other (in-kind)	<u>168,106,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,106,500</u>	<u>121,463,934</u>
Total expenses	<u>\$ 210,292,464</u>	<u>\$ 6,670,126</u>	<u>\$ 1,002,092</u>	<u>\$ 7,672,218</u>	<u>\$ 217,964,682</u>	<u>\$ 163,019,062</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

(1) NATURE OF ORGANIZATION AND TAX-EXEMPT STATUS

Helen Keller International Incorporated (“*HKI*”) is the oldest U.S. not-for-profit organization devoted to fighting and treating preventable blindness throughout the world. HKI has expanded to include a range of program interventions to prevent malnutrition and improve health outcomes.

The mission of HKI is to save the sight and lives of the most vulnerable and disadvantaged. HKI combats the causes and consequences of blindness and malnutrition by establishing programs based on evidence and research in vision, health and nutrition. HKI actively combats the following conditions linked to blindness, disease and death: malnutrition (including micronutrient malnutrition), cataract, onchocerciasis (river blindness), trachoma, diabetic retinopathy and refractive error. HKI operates in three regions (Africa, Asia and the Americas), encompassing approximately twenty-two countries.

Working with ministries of health, nongovernmental agencies, and local health workers, HKI provides the expertise, training, technical assistance, and other resources to establish evidence based programs in health and eye care within the existing health care systems of host countries.

HKI Support, Inc. (“*HKI Support*”) was formed as a tax-exempt organization, in which HKI is its sole member. HKI Support commenced operations in July 2009. HKI Support’s mission is to support HKI.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by HKI are described below:

BASIS OF PRESENTATION

The financial statements include the accounts of HKI and HKI Support. Significant intercompany transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash consists of cash on deposit in interest-bearing accounts, certificates of deposit and demand deposits. Cash equivalents consist of highly liquid investments, with original maturities of 91 days or less.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, January 24, 2013, have been evaluated in the preparation of the financial statements.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

FAIR VALUE OF FINANCIAL INSTRUMENTS

For the years ended June 30, 2012 and 2011, the fair value of HKI's marketable securities is based on quoted market prices. Similarly, the carrying value of all other financial instruments potentially subject to value risk (principally consisting of cash, accounts receivable, and accounts payable) approximates fair value.

CONCENTRATION OF MARKET AND CREDIT RISK

HKI periodically, maintains cash balances in excess of insured limits. Accounting Standards Codification ("*ASC*") 825 "*Financial Instruments*" identifies these items as a concentration of credit risk requiring disclosure, regardless of degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Market risk represents the potential loss HKI faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss HKI faces due to the possible nonperformance by obligors and counterparts of the terms of their contracts. Market risk is contained by limiting investments in marketable securities to U.S. Government securities, high-grade commercial paper, and balanced mutual funds and limiting the holdings in any one security.

MARKETABLE SECURITIES

Marketable securities are carried at fair value with unrealized gains and losses included in the statement of activity and changes in net assets. Donated securities are recorded at their fair value at the date of donation. Dividend and interest income is recorded as earned.

CASH HELD IN INTERNATIONAL OFFICES

Cash held in international offices primarily represents cash in foreign bank accounts that will be used for program activities and is principally located in Asia and Africa. Cash held in international offices includes both cash advanced to field offices by headquarters and cash disbursed directly to field offices by donors.

CONTRIBUTIONS OF MEDICAL SUPPLIES, MEDICINES AND OTHER (IN-KIND)

Contributions of medical supplies consist of supplies received from major pharmaceutical companies and are used to fight and prevent blindness. Donated supplies are recorded at estimated fair value based upon the pricing source inputs which considers wholesale prices and donor values on date of receipt. During the year ended June 30, 2012 and 2011, HKI received and distributed \$168,106,500 and \$121,287,750, respectively, of the product Mectizan for the treatment of onchocerciasis. As a result, contributions – medical supplies, medicines and other (in-kind) and expenses include the value of the product Mectizan.

BENEFICIAL INTERESTS IN PERPETUAL AND RESTRICTED TRUSTS

Beneficial interests in perpetual trusts include HKI's respective share of the fair value of the total funds held in trust by others for which HKI is the recipient of all or a percentage of the income. HKI has an irrevocable right to receive the income earned on the trust assets, but the trust assets must be held in perpetuity. HKI is also the recipient under a restricted trust whereby HKI receives 10% of the annual income of the trust. The trust terminates in 2041, at which time 10% of the corpus and any accumulated income of the trust will be distributed to HKI.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

FIXED ASSETS

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at their estimated fair value. Depreciation is provided based upon the estimated useful lives of the assets (3 to 7 years) using the straight-line method. Leasehold improvements are amortized over the life of the lease, using the straight-line method. Amounts not deemed significant are expensed in the year of purchase and allocated to functional areas based upon actual usage.

DEFERRED REVENUE

HKI records revenue when expenditures are incurred under U.S. and certain foreign government contracts or other exchange transactions. Deferred revenue represents funds received in excess of expenses incurred under these exchange transactions. This deferred revenue will be recognized and expended in future periods.

CONTRIBUTIONS

HKI records unconditional promises to give (pledges) as a receivable and revenue in the year pledged, net of the discount to present value of the future cash flows. Gifts of cash and other assets are recorded as contributions when received and are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets and reported in the statement of activities as ***“net assets released from restrictions.”***

NET ASSETS

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

Unrestricted net assets include the revenues and expenses associated with the principal mission of HKI.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

Permanently restricted net assets include the following:

- ◆ Endowment Fund – Endowment funds include gifts and contributions on which the donor has imposed a restriction requiring that the original corpus must be invested in perpetuity, with only the related income to be made available for use in accordance with the restrictions of the donor.
- ◆ Beneficial Interest in Perpetual Trusts – Beneficial interest in perpetual trusts represents a contribution which the donor has placed with a third party. HKI has the irrevocable right to receive the income earned on the trust assets in perpetuity, but cannot receive the assets held in trust.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

FOREIGN CURRENCY TRANSACTIONS

Transactions gains and losses that arise from exchange rate fluctuations denominated in foreign currency are included in program services in the statement of activity and changes in net assets, as incurred. Translation (losses) gains amounted to approximately (\$355,000) and \$252,000 in 2012 and 2011, respectively.

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 changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

INCOME TAXES

Under provisions of the Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations, HKI is exempt from taxes on income. Therefore, no provision for income taxes has been made. HKI has not been classified as a private foundation.

Management has reviewed the tax positions for each of the open tax years (2009 - 2011) or expected to be taken in HKI's 2012 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

PRIOR YEAR INFORMATION

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of HKI, as of, and for the year ended, June 30, 2011, from which the summarized information was derived.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

(3) MARKETABLE SECURITIES

As of June 30, 2012 and 2011, the cost and the fair value of marketable securities were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Money Market Funds	\$ 5,375,010	\$ 5,375,010	\$ 144,329	\$ 144,329
Certificates of Deposit	2,802,435	2,801,881	3,212,645	3,193,322
U.S. Government Agency – FNMA	49,387	58,705	49,387	52,061
Municipal Bond	25,005	25,007	25,994	26,172
Corporate Bonds	-	-	4,751,710	4,768,553
Mutual Funds	<u>339,915</u>	<u>294,200</u>	<u>336,589</u>	<u>288,745</u>
	<u>\$ 8,591,752</u>	<u>\$ 8,554,803</u>	<u>\$ 8,520,654</u>	<u>\$ 8,473,182</u>

HKI utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset of liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the HKI's investments as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and Money Market Funds	\$ 5,375,010	\$ 5,375,010	\$ -	\$ -
Certificates of Deposit	2,801,881	2,801,881	-	-
U.S. Government Agency - FNMA	58,705	-	58,705	-
Municipal Bonds	25,007	-	25,007	-
Mutual Funds	<u>294,200</u>	<u>294,200</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,554,803</u>	<u>\$ 8,471,091</u>	<u>\$ 83,712</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,023,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,662</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

	2011			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and Money Market Funds	\$ 144,329	\$ 144,329	\$ -	\$ -
Certificates of Deposit	3,193,322	3,193,322	-	-
U.S. Government Agency - FNMA	52,061	-	52,061	-
Municipal Bond	26,172	-	26,172	-
Corporate Bonds	4,768,553	-	4,768,553	-
Mutual Funds	288,745	288,745	-	-
	<u>\$ 8,473,182</u>	<u>\$ 3,626,396</u>	<u>\$ 4,846,786</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,076,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,076,888</u>

There were no transfers between Level 1 and 2 for the years ended June 30, 2012 and 2011.

The changes in the Beneficial Interest in perpetual and restricted trusts measured at fair value for which HKI used Level 3 inputs to determine fair value are as follows:

	2012	2011
Beginning balance	\$ 1,076,888	\$ 933,115
Realized/unrealized gains – net/change in valuation	<u>(53,226)</u>	<u>143,773</u>
Ending balance	<u>\$ 1,023,662</u>	<u>\$ 1,076,888</u>

The beneficial interest in perpetual and restricted trusts is measured at the fair value of the underlying investments. Since HKI does not have access to the underlying investments, fair value measurement is Level 3.

(4) FIXED ASSETS

Fixed assets, as of June 30, 2012 and 2011, were comprised of the following:

	2012	2011
Furniture and equipment	\$ 321,788	\$ 374,888
Leasehold improvements	10,965	10,965
Field office furniture and equipment	<u>3,138,473</u>	<u>2,789,838</u>
	3,471,226	3,175,691
Less: accumulated depreciation and amortization	<u>(2,592,318)</u>	<u>(2,250,322)</u>
	<u>\$ 878,908</u>	<u>\$ 925,369</u>

Field office furniture and equipment are located primarily in Asia and Africa.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

(5) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011, respectively, are available for the following purposes:

	<u>2012</u>	<u>2011</u>
ChildSight®	\$ 1,226,474	\$ 1,104,485
Trachoma	685,800	732,580
Nutrition	3,518,041	1,089,264
Onchocerciasis	99,254	96,702
Eye Health	639,964	282,719
Other	<u>865,315</u>	<u>697,038</u>
	<u>\$ 7,034,848</u>	<u>\$ 4,002,788</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2012 and 2011, respectively, are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Beneficial interest in perpetual trusts	\$ 968,887	\$ 1,021,378
Endowment funds	<u>22,094</u>	<u>22,094</u>
	<u>\$ 990,981</u>	<u>\$ 1,043,472</u>

During the year ended June 30, 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Temporarily restricted net assets:

ChildSight®	\$ 1,442,704
Trachoma	1,061,285
Nutrition	6,491,503
Onchocerciasis	170,660
Eye Health	1,073,606
Other	<u>854,028</u>
	<u>\$ 11,093,786</u>

(6) EMPLOYEE RETIREMENT PLAN

HKI has a defined contribution (money purchase) plan, which qualifies under section 403(b) of the Internal Revenue Code. An employee becomes eligible for participation upon reaching twenty-one years of age. HKI matches up to 5% of gross salary for qualified employees of the plan. Plan contributions by HKI were approximately \$208,500 and \$162,200 for the years ended June 30, 2012 and 2011, respectively.

HKI has also established a non-qualified retirement plan for eligible employees working overseas who are not United States citizens or resident aliens. Employer contributions under the plan were approximately \$89,400 and \$60,400 for the years ended June 30, 2012 and 2011, respectively.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2012 and 2011

(7) COMMITMENTS AND CONTINGENCIES

LEASE

HKI leases facilities in New York City, under a lease which expires September 2018. In addition, HKI leases certain office equipment under operating leases expiring through 2014. Most international office leases are paid in advance or are month-to-month basis.

The minimum annual rentals payable under the leases are as follows:

<u>Year ending June 30,</u>	<u>Amounts Per Lease Agreements</u>
2013	\$ 609,500
2014	616,100
2015	640,800
2016	658,800
2017	637,200
2018 and thereafter	<u>753,500</u>
Future minimum lease payments	<u>\$ 3,915,900</u>

Rent expense for the years ended June 30, 2012 and 2011 was approximately \$640,700 and \$623,500, respectively.

As of June 30, 2012, there was an outstanding letter of credit in the amount of \$475,800 from a financial institution to the landlord in lieu of a security deposit. The letter of credit is renewable annually through November 1, 2018. The letter of credit is secured by a certificate of deposit that exceeds the total amount available under the letter of credit.

GRANTS

Grant awards received from the U.S. Government and certain other grantors are subject to audit by those grantors. In the opinion of management, no material liability exists, if any, in connection therewith which would materially affect the financial position of HKI.

Additionally, under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by HKI, amounts are stipulated for both direct program costs and HKI administrative overhead costs. The administrative overhead rate used by HKI, while provisionally approved, is subject to review and final approval by the U.S. Government. The HKI administrative overhead rate has been approved through June 30, 2011. Management believes that any adjustment to the 2012 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of HKI.