

# **HELEN KELLER INTERNATIONAL INCORPORATED**

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

**JUNE 30, 2013**

# 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 financial statements of Helen Keller International Incorporated (a New York not-for-profit corporation) (“HKI”) which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and changes in net assets 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HKI as of June 30, 2013, the changes 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.

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

***Report on Summarized Comparative Information***

We have previously audited HKI's 2012 consolidated financial statements, and our report dated January 24, 2013, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
December 20, 2013**

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,648,896	\$ 7,455,458
Cash held in international offices	4,415,612	3,699,310
Investments	6,198,769	9,300,818
Grants receivable	7,226,281	4,594,382
Contributions receivables	6,327,831	1,535,436
Beneficial interest in perpetual and restricted trusts	1,070,361	1,023,662
Fixed assets, net	744,410	878,908
Security deposits and other assets	<u>1,644,937</u>	<u>1,359,717</u>
<b>Total assets</b>	<b><u>\$ 46,277,097</u></b>	<b><u>\$ 29,847,691</u></b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,939,817	\$ 2,538,045
Deferred revenue	21,529,587	11,983,928
Severance accrual – international offices	<u>1,005,923</u>	<u>770,354</u>
<b>Total liabilities</b>	<b><u>25,475,327</u></b>	<b><u>15,292,327</u></b>
<b>NET ASSETS</b>		
Unrestricted	6,546,291	6,529,535
Temporarily restricted	13,223,328	7,034,848
Permanently restricted	<u>1,032,151</u>	<u>990,981</u>
<b>Total net assets</b>	<b><u>20,801,770</u></b>	<b><u>14,555,364</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 46,277,097</u></b>	<b><u>\$ 29,847,691</u></b>

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2013 With Summarized Information For 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012</u>
<b>Operating Support and Revenue</b>					
Support					
Contributions – corporation, foundations, and individuals	\$ 6,240,787	\$ 14,288,717	\$ -	\$ 20,529,504	\$ 15,458,829
Contributions – medical supplies, medicines and other (in-kind)	77,876,062	-	-	77,876,062	168,128,000
Legacies and trusts	254,611	-	-	254,611	273,557
Grants – U.S. Government agencies	23,424,294	-	-	23,424,294	22,478,410
Grants – Non U.S. Government agencies	12,702,950	2,024,892	-	14,727,842	13,684,654
Net assets released from restrictions	<u>10,351,767</u>	<u>(10,351,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support</b>	<u>130,850,471</u>	<u>5,961,842</u>	<u>-</u>	<u>136,812,313</u>	<u>220,023,450</u>
Revenue					
Program and other revenue	101,550	212,327	-	313,877	136,561
Dividends and interest income	<u>16,504</u>	<u>8,782</u>	<u>-</u>	<u>25,286</u>	<u>24,907</u>
<b>Total revenue</b>	<u>118,054</u>	<u>221,109</u>	<u>-</u>	<u>339,163</u>	<u>161,468</u>
<b>Total operating support and revenue</b>	<u>130,968,525</u>	<u>6,182,951</u>	<u>-</u>	<u>137,151,476</u>	<u>220,184,918</u>
<b>Expenses</b>					
Program services:					
ChildSight®	1,352,784	-	-	1,352,784	1,602,492
Trachoma	1,121,390	-	-	1,121,390	971,898
Famine and Other Relief Services	3,016,657	-	-	3,016,657	2,482,616
Nutrition, including Vitamin A	28,089,535	-	-	28,089,535	25,901,647
Onchocerciasis	66,178	-	-	66,178	199,216
Eye Health	1,259,469	-	-	1,259,469	1,537,482
Neglected Tropical Diseases	10,150,318	-	-	10,150,318	9,490,613
Distribution of medicines and other (in-kind), primarily for blindness prevention	<u>77,841,354</u>	<u>-</u>	<u>-</u>	<u>77,841,354</u>	<u>168,106,500</u>
<b>Total program services</b>	<u>122,897,685</u>	<u>-</u>	<u>-</u>	<u>122,897,685</u>	<u>210,292,464</u>
Support services					
Management and general	6,961,424	-	-	6,961,424	6,670,126
Fund raising	<u>1,131,381</u>	<u>-</u>	<u>-</u>	<u>1,131,381</u>	<u>1,002,092</u>
<b>Total support services</b>	<u>8,092,805</u>	<u>-</u>	<u>-</u>	<u>8,092,805</u>	<u>7,672,218</u>
<b>Total expenses</b>	<u>130,990,490</u>	<u>-</u>	<u>-</u>	<u>130,990,490</u>	<u>217,964,682</u>
<b>Excess (deficit) of revenue over expenses</b>	(21,965)	6,182,951	-	6,160,986	2,220,236
<b>Other Changes</b>					
Net realized and unrealized gains on investments	38,721	-	-	38,721	19,794
Change in perpetual and restricted trusts	<u>-</u>	<u>5,529</u>	<u>41,170</u>	<u>46,699</u>	<u>(53,226)</u>
<b>Change in net assets</b>	16,756	6,188,480	41,170	6,246,406	2,186,804
<b>Net Assets</b>					
Beginning 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>
<b>End of year</b>	<u>\$ 6,546,291</u>	<u>\$ 13,223,328</u>	<u>\$ 1,032,151</u>	<u>\$ 20,801,770</u>	<u>\$ 14,555,364</u>

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 6,246,406	\$ 2,186,804
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	467,525	494,199
Net realized/unrealized gain on investments	(38,721)	(19,794)
Loss on disposal of fixed assets	49,709	24,143
Change in perpetual and restricted trusts	(46,699)	53,226
Changes in operating assets and liabilities		
Cash held in international offices	(716,302)	2,503,744
Grants receivable	(2,631,899)	(801,994)
Contributions receivables	(4,792,395)	43,790
Security deposits and other assets	(285,220)	(352,102)
Accounts payable and accrued expenses	401,772	(107,302)
Deferred revenue	9,545,659	(7,215,725)
Severance accrual – international offices	<u>235,569</u>	<u>22,445</u>
<b>Net cash provided by (used in) operating activities</b>	<u>8,435,404</u>	<u>(3,168,566)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in invested cash and cash equivalents	3,117,993	(5,086,520)
Proceeds from sale of investments	22,777	4,777,413
Purchases of fixed assets	<u>(382,736)</u>	<u>(471,881)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>2,758,034</u>	<u>(780,988)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,193,438	(3,949,554)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>7,455,458</u>	<u>11,405,012</u>
<b>End of year</b>	<u>\$ 18,648,896</u>	<u>\$ 7,455,458</u>

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013 With Summarized Information For 2012

Expenses	Program Services	Supporting Services			Totals	
		Management And General	Fund Raising	Total	2013	2012
Personnel	\$ 14,222,976	\$4,552,875	\$ 573,957	\$5,126,832	\$ 19,349,808	\$ 18,234,198
Travel (staff and trainees)	8,174,560	455,315	3,697	459,012	8,633,572	9,906,597
Subgrants	8,249,855	-	-	-	8,249,855	5,904,244
Meetings, conferences and training workshops	834,537	32,513	10,632	43,145	877,682	747,062
Equipment, supplies and maintenance	1,454,954	255,898	7,604	263,502	1,718,456	1,791,499
Program supplies	2,523,151	257	-	257	2,523,408	1,813,297
Vehicles and vehicle maintenance	2,002,742	12,874	-	12,874	2,015,616	2,170,241
Professional fees and services	3,102,169	471,810	9,600	481,410	3,583,579	2,984,744
Advertising and broadcasting	542,158	1,248	-	1,248	543,406	609,149
Postage	194,750	27,442	6,060	33,502	228,252	154,075
Direct mail	-	-	490,700	490,700	490,700	460,192
Telephone and communication	631,070	93,805	4,694	98,499	729,569	564,376
Depreciation	463,005	4,520	-	4,520	467,525	494,199
Occupancy	1,351,165	767,658	-	767,658	2,118,823	1,943,817
Printing	1,076,428	23,237	8,394	31,631	1,108,059	1,162,904
Other expense	<u>232,811</u>	<u>234,378</u>	<u>8,929</u>	<u>243,307</u>	<u>476,118</u>	<u>917,588</u>
Total expenses before in-kind	45,056,331	6,933,830	1,124,267	8,058,097	53,114,428	49,858,182
Medical supplies, medicines and other (in-kind)	<u>77,841,354</u>	<u>27,594</u>	<u>7,114</u>	<u>34,708</u>	<u>77,876,062</u>	<u>168,106,500</u>
Total expenses	<u>\$ 122,897,685</u>	<u>\$6,961,424</u>	<u>\$ 1,131,381</u>	<u>\$8,092,805</u>	<u>\$ 130,990,490</u>	<u>\$217,964,682</u>

See notes to financial statements.



# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2013 And 2012

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### (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’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.

#### ***FAIR VALUE OF FINANCIAL INSTRUMENTS***

For the years ended June 30, 2013 and 2012, 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.

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### **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 certificates of deposit, U.S. Government securities, 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, 2013 and 2012, HKI received and distributed \$77,763,000 and \$168,106,500, respectively, of the product Mectizan from a donor 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, 2013 And 2012

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### ***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, 2013 And 2012

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### ***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 amounted to approximately \$15,000 and \$355,000 in 2013 and 2012, 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 (2010 - 2012) or expected to be taken in HKI's 2013 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 2012 financial statements to conform to the 2013 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, 2012, from which the summarized information was derived.

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

### (3) MARKETABLE SECURITIES

As of June 30, 2013 and 2012, the cost and the fair value of marketable securities were as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash and Money Market Funds	\$ 132,322	\$ 132,322	\$ 5,375,010	\$ 5,375,010
Certificates of Deposit	5,682,681	5,672,591	3,548,450	3,547,896
U.S. Government Agency – FNMA	49,387	52,734	49,387	58,705
Municipal Bond	-	-	25,005	25,007
Mutual Funds	<u>341,414</u>	<u>341,122</u>	<u>339,915</u>	<u>294,200</u>
	<u>\$ 6,205,804</u>	<u>\$ 6,198,769</u>	<u>\$ 9,337,767</u>	<u>\$ 9,300,818</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 or 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, 2013 and 2012 are as follows:

	2013			
	Total	Level 1	Level 2	Level 3
<b>Investments</b>				
Cash and Money Market Funds	\$ 132,322	\$ 132,322	\$ -	\$ -
Certificates of Deposit	5,672,591	5,672,591	-	-
U.S. Government Agency - FNMA	52,734	-	52,734	-
Mutual Funds	<u>341,122</u>	<u>341,122</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,198,769</u>	<u>\$ 6,146,035</u>	<u>\$ 52,734</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,070,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,070,361</u>

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

	2012			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments</b>				
Cash and Money Market Funds	\$ 5,375,010	\$ 5,375,010	\$ -	\$ -
Certificates of Deposit	3,547,896	3,547,896	-	-
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>\$ 9,300,818</u>	<u>\$ 9,217,106</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>

There were no transfers between Level 1 and 2 for the years ended June 30, 2013 and 2012.

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:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 1,023,662	\$ 1,076,888
Realized/unrealized gains – net/change in valuation	<u>46,699</u>	<u>(53,226)</u>
Ending balance	<u>\$ 1,070,361</u>	<u>\$ 1,023,662</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) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$ 5,012,092	\$ 1,319,436
Due in one to five years	<u>1,315,739</u>	<u>216,000</u>
Total contributions receivable	<u>\$ 6,327,831</u>	<u>\$ 1,535,436</u>

No allowance for uncollectible contributions receivable has been recorded at June 30, 2013 and 2012 based management's estimate of collectability.

# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (5) FIXED ASSETS

Fixed assets, as of June 30, 2013 and 2012, were comprised of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 321,788	\$ 321,788
Leasehold improvements	10,965	10,965
Field office furniture and equipment	<u>3,237,046</u>	<u>3,138,473</u>
	3,569,799	3,471,226
Less: accumulated depreciation and amortization	<u>(2,825,389)</u>	<u>(2,592,318)</u>
	<u>\$ 744,410</u>	<u>\$ 878,908</u>

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

### (6) NET ASSETS

#### **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2013 and 2012, respectively, are available for the following purposes:

	<u>2013</u>	<u>2012</u>
ChildSight®	\$ 1,334,360	\$ 1,226,474
Trachoma	286,759	685,800
Nutrition	10,770,519	3,589,436
Onchocerciasis	14,782	99,254
Eye Health	388,506	825,049
Other	<u>428,402</u>	<u>608,835</u>
	<u>\$ 13,223,328</u>	<u>\$ 7,034,848</u>

#### **PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at June 30, 2013 and 2012, respectively, are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Beneficial interest in perpetual trusts	\$ 1,010,057	\$ 968,887
Endowment funds	<u>22,094</u>	<u>22,094</u>
	<u>\$ 1,032,151</u>	<u>\$ 990,981</u>

During the year ended June 30, 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Temporarily restricted net assets:

ChildSight®	\$ 1,532,384
Trachoma	1,317,456
Nutrition	5,240,059
Onchocerciasis	66,613
Eye Health	1,382,306
Other	<u>812,949</u>
	<u>\$ 10,351,767</u>

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# HELEN KELLER INTERNATIONAL INCORPORATED

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (7) 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 \$239,500 and \$208,500 for the years ended June 30, 2013 and 2012, 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 \$61,200 and \$89,400 for the years ended June 30, 2013 and 2012, respectively.

### (8) 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 2017. 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>
2014	\$ 640,500
2015	666,500
2016	669,600
2017	641,100
2018	645,500
2019 and thereafter	<u>108,000</u>
Future minimum lease payments	<u>\$ 3,371,200</u>

Rent expense for the years ended June 30, 2013 and 2012 was approximately \$647,300 and \$640,700, respectively.

As of June 30, 2013, 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.



# HELEN KELLER INTERNATIONAL INCORPORATED

## *CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)*

**June 30, 2013 And 2012**

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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, 2012. Management believes that any adjustment to the 2013 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of HKI.

### **(9) SUBSEQUENT EVENTS**

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, December 20, 2013, have been evaluated in the preparation of the financial statements.