

**THE HUMPTY DUMPTY INSTITUTE, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**REPORT OF INDEPENDENT AUDITORS**  
**DECEMBER 31, 2008**

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
The Humpty Dumpty Institute, Inc.

We have audited the accompanying statement of financial position of The Humpty Dumpty Institute, Inc. (a non-profit organization) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Humpty Dumpty Institute, Inc. as of December 31, 2008, and the change in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009 on our consideration of The Humpty Dumpty Institute, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Humpty Dumpty Institute, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations and is not a required part of the basic financial statements. The supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

North Bellmore, NY  
November 3, 2009

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2008**

ASSETS

Current Assets:

|                           |              |
|---------------------------|--------------|
| Cash and Cash Equivalents | \$1,699,557  |
| Prepaid Expenses          | <u>2,019</u> |

|                      |                  |
|----------------------|------------------|
| Total Current Assets | <u>1,701,576</u> |
|----------------------|------------------|

Property and Equipment, at Cost, net of  
Accumulated Depreciation of \$26,128

23,200

Other Assets:

|                   |               |
|-------------------|---------------|
| Security Deposits | <u>16,092</u> |
|-------------------|---------------|

|              |                           |
|--------------|---------------------------|
| Total Assets | <u><u>\$1,740,868</u></u> |
|--------------|---------------------------|

LIABILITIES AND NET ASSETS

Current Liabilities:

|                                       |                   |
|---------------------------------------|-------------------|
| Accounts Payable and Accrued Expenses | <u>\$ 135,267</u> |
|---------------------------------------|-------------------|

|                           |                |
|---------------------------|----------------|
| Total Current Liabilities | <u>135,267</u> |
|---------------------------|----------------|

Commitments and Contingencies  
(Notes 6, 7, 8)

Net Assets:

|                        |                  |
|------------------------|------------------|
| Unrestricted           | 425,288          |
| Temporarily Restricted | <u>1,180,313</u> |

|                  |                  |
|------------------|------------------|
| Total Net Assets | <u>1,605,601</u> |
|------------------|------------------|

|                                  |                           |
|----------------------------------|---------------------------|
| Total Liabilities and Net Assets | <u><u>\$1,740,868</u></u> |
|----------------------------------|---------------------------|

The accompanying notes are an integral part of these statements.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

|                                                 | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>       |
|-------------------------------------------------|---------------------|-----------------------------------|--------------------|
| Support and Revenues:                           |                     |                                   |                    |
| Government Grants                               | \$ -                | \$3,112,811                       | \$3,112,811        |
| Other Grants                                    | -                   | 100,000                           | 100,000            |
| Donations - Board Members                       | 843,500             | -                                 | 843,500            |
| Donations - Others                              | 5,352               | -                                 | 5,352              |
| Interest Income                                 | 961                 | -                                 | 961                |
| Refund                                          | 400                 | -                                 | 400                |
| Net Assets Released from Restrictions           | <u>3,039,938</u>    | <u>(3,039,938)</u>                | <u>-</u>           |
| Total Support and Revenues                      | <u>3,890,151</u>    | <u>172,873</u>                    | <u>4,063,024</u>   |
| Expenses:                                       |                     |                                   |                    |
| Program Services                                | 3,172,407           | -                                 | 3,172,407          |
| Management and General                          | 297,159             | -                                 | 297,159            |
| Fundraising                                     | <u>18,783</u>       | <u>-</u>                          | <u>18,783</u>      |
| Total Expenses                                  | <u>3,488,349</u>    | <u>-</u>                          | <u>3,488,349</u>   |
| Excess of Support and Revenues<br>over Expenses | 401,802             | 172,873                           | 574,675            |
| Net assets at Beginning of Year                 | <u>23,486</u>       | <u>1,007,440</u>                  | <u>1,030,926</u>   |
| Net assets at End of Year                       | <u>\$ 425,288</u>   | <u>\$1,180,313</u>                | <u>\$1,605,601</u> |

The accompanying notes are an integral part of these statements.

**THE HUMPTY DUMPTY INSTITUTE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Cash Flows from Operating Activities:

|                                                                                                |                |
|------------------------------------------------------------------------------------------------|----------------|
| Excess of Support and Revenues over Expenses                                                   | \$ 574,675     |
| Adjustments to Reconcile Change in Net Assets<br>To Net Cash Provided by Operating Activities: |                |
| Depreciation                                                                                   | 6,499          |
| Increase in Current Liabilities:                                                               |                |
| Accounts Payable and Accrued Expenses                                                          | <u>107,699</u> |
| Net Cash Provided by Operating Activities                                                      | <u>688,873</u> |

Cash Flows from Investing Activities:

|                                               |                     |
|-----------------------------------------------|---------------------|
| Purchases of Property and Equipment           | <u>( 23,289)</u>    |
| Net Cash Used in Investing Activities         | <u>( 23,289)</u>    |
| Net Increase in Cash and Cash Equivalents     | 665,584             |
| Cash and Cash Equivalents - Beginning of Year | <u>1,033,973</u>    |
| Cash and Cash Equivalents - End of Year       | <u>\$ 1,699,557</u> |

The accompanying notes are an integral part of these statements.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

1. Description of Organization and Summary of Significant Accounting Policies:

a. Nature of Operations

The Humpty Dumpty Institute (HDI) (the "Organization") is a results oriented non-profit organization forging innovative public-private partnerships designed to solve specific international problems. HDI fosters dialogue between the U.S. Congress and the United Nations through a series of creative programs that identify and provide opportunities to discuss common causes among leading policy-makers from both institutions. HDI also battles the landmine epidemic by working with a wide network of partners to support mine-clearance projects around the globe, including Angola, Armenia, Eritrea, Laos, Lebanon, Mozambique, Sri Lanka and Vietnam.

b. Basis of Accounting

The accompanying financial statements were prepared utilizing the accrual basis of accounting in accordance with United States generally accepted accounting principles.

c. Property and Equipment

Purchased property and equipment are recorded at cost. Significant betterments, which extend the useful lives of assets, are capitalized and repairs are expensed as incurred. Depreciation is calculated using accelerated and straight-line methods over the useful lives of the assets. Computers are depreciated over five years and office equipment is depreciated over seven years. Website development costs are depreciated over three years using the straight-line method of depreciation.

d. Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Laws and regulations governing the federal grant programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Accordingly, actual results could differ from those estimates.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

1. Description of Organization and Summary of Significant Accounting Policies: (continued)

e. Donated Services, Materials and Facilities

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied. SFAS No. 116 provides that the value of contributed services should be recognized if the services either create or enhance the value of a nonfinancial asset, require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation.

f. Net Assets

Resources restricted by donors for specific operating purposes are included as temporarily restricted funds. When the restriction expires, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

g. Cash and Cash Equivalents

The Organization maintains its cash balances at financial institutions, which at times may exceed federally insured limits of \$250,000. Temporarily restricted cash balances are for USDA grant programs directed towards Sri Lanka and Laos. HDI has not sustained any losses on uninsured balances and the banks used by HDI are highly rated. The Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

h. Financial Statement Presentation

The Organization implemented Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These net assets represent resources available for the support of the Organization's operations.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

1. Description of Organization and Summary of Significant Accounting Policies: (continued)

Temporarily restricted net assets include items which either must be used for purposes specified by donors or are designated to periods beyond the next year (time restricted). Permanently restricted net assets represent those net assets that a donor has instructed the Organization to maintain in perpetuity or permanently. There were no permanently restricted net assets as of December 31, 2008.

i. Allowance for Doubtful Accounts

The Organization utilizes the reserve method of accounting to provide for an estimate of potentially uncollectible pledges and grants receivable. There were no uncollectible pledges and grants at December 31, 2008. Therefore, no allowance for doubtful accounts was recorded at December 31, 2008.

j. Support and Revenue Recognition

The Organization has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby Contributions or Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor time or use restrictions. Restricted contributions or grants are reclassified to unrestricted upon satisfaction of the time or purpose restrictions. In-Kind donations from the USDA are valued at estimated resale prices of the donated commodities using the lower of cost or market inventory method.

Private contracts, grants, and donations are recognized as revenue in the unrestricted fund when such amounts represent unconditional transfers from donors. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

k. Income Taxes

The Organization qualifies as a tax exempt, not-for-profit organization under Section 501 (c) (3) of the Internal Revenue Code and similar state statutes. Accordingly, no provision for federal or New York State income taxes is required.

THE HUMPTY DUMPTY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Description of Organization and Summary of Significant Accounting Policies: (continued)

I. Advertising

The Organization expenses advertising costs as incurred. There were no advertising costs during the year ended December 31, 2008.

m. Functional Expenses

The common costs of providing the various programs and supporting services are allocated on a functional basis in the statement of activities. The allocation of expenses between the program expenses and supporting services expenses are based upon management's estimates using rational allocation methods.

n. Translation of Foreign Currencies

Asset and liability accounts are translated into U.S. dollars using exchange rates in effect at the date of the statement of financial position; revenue and expense accounts are translated at average monthly exchange rates. Translation adjustments are reflected as a component of net assets. For the year ended December 31, 2008, the Organization deemed any translation adjustments to be insignificant to the financial statements. Therefore, no translation adjustment was reported.

2. Property and Equipment

Property and Equipment consists of:

|                                |                  |
|--------------------------------|------------------|
| Computer Equipment             | \$ 20,899        |
| Other Equipment                | 8,569            |
| Website Development Costs      | <u>19,860</u>    |
|                                | 49,328           |
| Less: Accumulated Depreciation | <u>(26,128)</u>  |
|                                | <u>\$ 23,200</u> |

Depreciation expense amounted to \$6,499 for the year ended December 31, 2008.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2008 consist of the following:

|                   |                  |
|-------------------|------------------|
| Professional Fees | \$ 89,765        |
| Credit Card       | <u>45,502</u>    |
|                   | <u>\$135,267</u> |

4. Economic Dependency

HDI is economically dependent on donations from a related party, one of the Organization's board members. These donations are used to cover unrestricted operating expenses. HDI is economically dependent on the United States Department of Agriculture to pay its future subcontractor obligations for the Sri Lanka and Laos grant contracts. (See Note 5)

5. Concentrations

Temporarily restricted grants and Board member contributions accounted for 79.1% and 20.1%, respectively of total support and revenues for the year ended December 31, 2008.

6. Sri Lanka - USDA Agreements (Commitments)

I. USDA Food for Progress Commodity Monetization Agreement (Sri Lanka)

- A. The USDA approved an agreement to provide \$3,564,790 to HDI via commodity monetization of 9,500 metric tons of lentils and soybean oil over a two-year period. This contract was amended to reflect changes based on current economic factors. The contract's budget provides for subcontractor expenses to HALO Trust in the amount of \$1,017,597 and \$1,726,962 to Land O' Lakes International Development for dairy/ livestock development.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

6. Sri Lanka - USDA Agreements (Commitments) (continued)

B. HALO Trust Commitment

HDI signed an amended agreement with HALO Trust for \$1,017,597 to be paid during the period July 1, 2006 through June 30, 2008. HDI advanced \$200,000 to HALO Trust during 2006 and \$650,000 during 2007. During 2008, HDI advanced the remaining obligation of \$167,597. HALO Trust is responsible for mine clearance assistance in Sri Lanka and is required to submit financial expenditure reports to HDI every six months. The contract provides for payments with benchmarking of project accomplishments related to payments. The project criteria for measuring progress includes: a) clearance and survey of approximately 500,000 square meters of fertile land to allow 2,000 dairy farmers immediate access and use, b) employing 334 local demining staff and c) creating safe access to work, schools, and farms for 275,000 Sri Lanka citizens. The demining activities serve as a precursor to the dairy development component to be implemented by Land O' Lakes International Development.

C. Land O' Lakes International Development (LOL) Commitment

LOL agreed to a) serve as HDI's sales agent to pre-sell commodities (lentils) received from USDA for monetization and b) implement Dairy/Livestock Development in Sri Lanka. The project development requires LOL to a) research and analyze dairy product market trends and b) organize and train producers and strengthen cooperatives and/or farmer groups with credit access and demonstrations/ workshops and c) mobilize investment to build vital capacities in the dairy and livestock systems with new milk collection and chilling centers. HDI advanced \$1,440,277 to LOL during 2007, which includes \$1,333,333 for programmatic implementation and \$106,944 for the commission on the sale of lentils and soybean oil. During 2008, HDI advanced LOL the remaining obligation of \$393,629.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

7. LAOS - USDA Agreements (Commitment)

II. USDA International Food for Education and Child Nutrition Program

- A. The USDA approved an agreement to provide \$2,910,386 as amended to HDI in a combination of agricultural commodities and cash. HDI is responsible for conducting school visitations and interviews with the a) Laos Ministry of Education and b) teachers to track enrollment and attendance. HDI will also monitor a) the UXO removal, b) distribution of snacks and take home rations, c) the distribution of educational supplies and equipment and d) implementation of training. HDI will periodically assess the improvements in school attendance. The grant provided 660 metric tons of in-kind commodity donations from USDA during 2007 to HDI in the form of corn/soy snacks to be distributed by International Relief and Development (IRD) to 10,000 students and take home rations (50,000 meals) of canned salmon, rice, beans, lentils for 5,000 female students attending 50 schools in villages cleared of unexploded ordnates (UXOs) by the Mines Advisory Group (MAG).

On August 11, 2008, the Foreign Agricultural Service (FAS) of the USDA approved an agreement to provide \$3,800,000 to HDI in a combination of agricultural commodities and cash. The grant provided 660 metric tons of in-kind commodity donations from USDA to HDI in the form of corn/soy snacks to be distributed by IRD to 13,000 students and take home rations to male and female students as well as teachers. HDI will, over a period of 15 months, use the commodities and any funds provided by the FAS to implement a school feeding program focused on achieving a safer education and community environment at 60 schools in the Khammouane Province of Laos, increase school attendance rates by serving nutritious mid-morning snacks, enhancing learning opportunities for children, improving learning resources, increasing food security and supply and providing income generating and learning opportunities for community members, especially the most disadvantaged. MAG will undertake the clearance of landmines and unexploded ordnates from school sites in Laos in accordance with the "Laos School Rehabilitation Project".

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

7. LAOS - USDA Agreements (Commitment) (continued)

B. International Relief and Development (IRD) Commitment

The USDA grant of \$2,910,386, which covered the grant period from September 20, 2006 through September 19, 2008, outlined that the subcontractor (IRD) will be responsible for direct distribution of the meals to improve the educational opportunities and nutritional status of children in the Khammouane province of Laos. HDI signed a \$1 million contract with IRD, which included a budget outlining the spending line items and goals for benchmarking the progress of IRD. IRD provided a \$5,000 mini grant to each school for structural improvements or conducting activities that impact the health of students.

HDI provided IRD with USDA funds to procure education supplies and equipment, train teachers and provide limited structural improvements to school facilities. HDI advanced \$782,100 to IRD during 2007 and paid the remaining obligation of \$217,900 during 2008.

The USDA grant of \$3,800,000, which covers the grant period from October 1, 2008 for a period of fifteen months, outlined that the subcontractor (IRD) will be responsible for direct distribution of the meals to improve the educational opportunities and nutritional status of children in the Khammouane province of Laos.

HDI signed a \$1,415,000 contract with IRD, which included a budget outlining the spending line items and goals for benchmarking the progress of IRD. IRD will provide a \$4,000 mini grant to each school in support of environmental improvement projects that impact the health of the students in the 60 schools. Projects will likely focus on school renovations, including water and sanitation facilities. Such funding will be released to IRD in three installments; a first installment of \$601,375 will be released within fifteen working days following HDI's notification that the funds have become available. A second installment of \$601,375 will be released upon submission and acceptance of the interim six-month progress report and financial report and a third and final installment not to exceed \$212,250 will be released only when substantive benchmarks and financial reports have been submitted to and accepted by HDI. HDI advanced the first installment of \$601,375 to IRD during 2008.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

7. LAOS - USDA Agreements (Commitment) (continued)

C. Mines Advisory Group (MAG) Commitment

In 2006, HDI agreed to provide \$1.4 million of USDA grant funds to MAG for UXO removal using villagers who are hired and trained by deminers to locate and remove landmines that MAG destroy. HDI advanced \$500,000 to MAG in 2006 (as the subcontractor budget provides \$497,000 for capital equipment) and \$750,000 during 2007. HDI advanced the remaining obligation of \$150,000 during 2008.

In 2008, HDI agreed to provide \$1,000,000 of USDA grant funds to MAG for the clearance of landmines and unexploded ordnates from school sites in Laos. Funding to MAG will be released in three installments; the first installment of \$425,000 will be released within fifteen working days following notification from HDI that the funds have become available. A second installment of \$425,000 will be released upon submission and acceptance of the interim six-month progress report and financial report and a third and final installment not to exceed \$150,000 will be released only when substantive benchmarks and financial reports have been submitted to and accepted by HDI. HDI advanced the first installment of \$425,000 to MAG during 2008.

8. Other Commitments

Office Lease - New York City

- A) On June 1, 2007, the Organization signed a one-year lease extension agreement for its New York City office which terminated June 30, 2008. The lease agreement required a monthly rent payment of \$7,048, which included \$250 per month for the doorman. HDI advanced \$12,000 in September 2005 as a security deposit for the lease which is included in the accompanying statement of financial position.

On January 1, 2009, the Organization renewed its lease in the same New York City office with additional office space for a term of seven years terminating on December 31, 2015. Upon signing the new lease, the Organization is required to pay the remaining security deposit of \$12,753. The lease calls for monthly payments of \$12,917 in years 1 and 2 with escalation charges each year for the remaining years.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

8. Other Commitments (continued)

Minimum future rental payments under this lease for the five years following the year ended December 31, 2008 are as follows:

|      |                |
|------|----------------|
| 2009 | \$155,000      |
| 2010 | 155,000        |
| 2011 | 159,650        |
| 2012 | 164,440        |
| 2013 | <u>169,373</u> |

Total minimum future rental payments required    \$803,463

B) Office Lease - Sri Lanka

On March 6, 2007, HDI signed a two-year lease for office space in Colombo, Sri Lanka. The lease agreement calls for a sum of rs.1,218,240 or approximately \$10,977 plus service charges for a sum of rs. 406,080 or approximately \$3,659 for the period commencing January 15, 2007 through January 14, 2009. Total rent payments for this period will amount to rs.1,624,320 or approximately \$14,636.

The Organization used the average exchange rate during 2007 to convert Sri Lankan Rupees to U.S. dollars (\$1 = Rs.110.98). Rent is payable on a quarterly basis in advance on the first day of each quarter which shall be taken to start on the first day of January, April, July, and October of each year. HDI advanced rs.446,460 or approximately \$4,092 in March, 2007 for a security deposit which is included in the accompanying statement of financial position. The average exchange rate used during 2008 to convert Sri Lankan Rupees to U.S. Dollars was (\$1 = Rs. 108.63).

Minimum future lease payments following the year ended December 31, 2008 are as follows:

|      | <u>S.L. Rupees</u> | <u>U.S. Dollars</u> |
|------|--------------------|---------------------|
| 2009 | Rs. 32,475         | \$ 299              |

Total rent expense for both leases amounted to \$101,741 for the year ended December 31, 2008.

The Sri Lankan government requires any foreign organization conducting business in their country to open up a bank account. During 2007, the Organization opened a bank account under HDI to cover the administrative costs in connection with business conducted in Sri Lanka.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

8. Other Commitments (continued)

C) Equipment Lease

On May 27, 2004, HDI signed a five-year copier lease that terminates in May 2009. The lease agreement called for monthly payments of \$460. On July 5, 2007, HDI signed a new copier lease agreement with a new supplier who satisfied the remaining lease obligation on HDI's existing copier at no additional cost. The new lease agreement calls for monthly payments of \$649 for a five-year term ending July 5, 2012. Minimum future lease payments following the year ended December 31, 2008 are as follows:

|                                     |                  |
|-------------------------------------|------------------|
| 2009                                | \$ 7,788         |
| 2010                                | 7,788            |
| 2011                                | 7,788            |
| 2012                                | <u>4,543</u>     |
| Total minimum future lease payments | <u>\$ 27,907</u> |

Total equipment lease expense amounted to \$7,788 for the year ended December 31, 2008.

9. Retirement Plan

On January 1, 2005, the Organization implemented a Profit Sharing / 401(k) plan for the benefit of eligible employees. The Plan is a qualified retirement plan covering all employees of the Organization. Employees are eligible to participate in the Plan if they complete six months of service and are at least 21 years of age. Each year, participants may contribute up to the maximum percentage allowable under the federal statutory limit of Code Section 401(k). The Company will match employee contributions up to 8% of an employee's annual salary. Employer contributions amounted to \$13,818 for the year ended December 31, 2008 and is allocated between each functional category of expense in the supplementary schedule of functional expenses.

**THE HUMPTY DUMPTY INSTITUTE, INC.**

**SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

|                                | Program<br>Services -<br>Temporarily<br><u>Restricted</u> | Program<br>Services -<br><u>Other</u> | Manage-<br>ment<br>and<br><u>General</u> | Fund-<br>Raising    | <u>Total</u>           |
|--------------------------------|-----------------------------------------------------------|---------------------------------------|------------------------------------------|---------------------|------------------------|
| Conference and meetings        | \$ 36                                                     | \$ -                                  | \$ -                                     | \$ -                | \$ 36                  |
| Copier                         | 2,350                                                     | 537                                   | 1,032                                    | 41                  | 3,960                  |
| Depreciation                   | 4,414                                                     | -                                     | 2,085                                    | -                   | 6,499                  |
| Grant sub-contractor expense   | 2,159,933                                                 | -                                     | -                                        | -                   | 2,159,933              |
| Benefits                       | 15,617                                                    | 2,722                                 | 2,482                                    | 335                 | 21,156                 |
| Insurance                      | 1,789                                                     | 118                                   | 31,708                                   | 28                  | 33,643                 |
| Equipment lease                | 4,961                                                     | 1,371                                 | 1,261                                    | 195                 | 7,788                  |
| Meals                          | 18,767                                                    | 3,805                                 | 8,412                                    | 148                 | 31,132                 |
| Office cleaning                | -                                                         | 524                                   | 1,608                                    | 195                 | 2,327                  |
| Office supplies and expense    | 27,093                                                    | 6,538                                 | 16,963                                   | 680                 | 51,274                 |
| Office insurance               | -                                                         | 8                                     | 1,065                                    | 5                   | 1,078                  |
| Outside services               | 128,622                                                   | 167                                   | 680                                      | 163                 | 129,632                |
| Payroll and payroll taxes      | 326,857                                                   | 80,998                                | 30,918                                   | 10,241              | 449,014                |
| Pension                        | 7,741                                                     | 2,522                                 | 3,256                                    | 299                 | 13,818                 |
| Postage                        | 1,505                                                     | 185                                   | 712                                      | 51                  | 2,453                  |
| Printing and publications      | 4,527                                                     | 438                                   | 880                                      | 159                 | 6,004                  |
| Accounting and consulting fees | 66,936                                                    | 1,686                                 | 509                                      | 189                 | 69,320                 |
| Audit fees                     | -                                                         | -                                     | 22,500                                   | -                   | 22,500                 |
| Legal fees                     | 263                                                       | 22                                    | 55,799                                   | 218                 | 56,302                 |
| Rent                           | 39,400                                                    | -                                     | 58,725                                   | 3,616               | 101,741                |
| Repairs and maintenance        | 1,833                                                     | 450                                   | 556                                      | 85                  | 2,924                  |
| Telephone                      | 16,773                                                    | 2,791                                 | 2,501                                    | 368                 | 22,433                 |
| Travel and lodging             | 189,086                                                   | 40,822                                | 50,295                                   | 1,620               | 281,823                |
| Utilities                      | 5,342                                                     | 1,247                                 | 1,972                                    | 147                 | 8,708                  |
| Website                        | <u>1,611</u>                                              | <u>-</u>                              | <u>1,240</u>                             | <u>-</u>            | <u>2,851</u>           |
| <br>Total Expenses             | <br><u>\$ 3,025,456</u>                                   | <br><u>\$146,951</u>                  | <br><u>\$297,159</u>                     | <br><u>\$18,783</u> | <br><u>\$3,488,349</u> |



**THE HUMPTY DUMPTY INSTITUTE, INC.  
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

| Grantor/Pass Through Grantor Program Title<br>Federal Award:                                                                                                                                    | CFDA<br>Number | Grant or Contract Number                       | Grant Period From -<br>To | Grant<br>Award | 2008 Federal<br>Expenditures | 2008 Federal<br>Revenue Recognized |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------|---------------------------|----------------|------------------------------|------------------------------------|
| United States Department of Agriculture For The Provision of<br>Agricultural Commodities Under The Food For Progress Act (Sri Lanka)                                                            | 10.606         | OSGM:FCC-383-2006/083-00<br>Budge # 2006-111   | 07/21/06 - 07/20/08       | \$3,564,790    | \$837,408                    | \$0                                |
| United States Department of Agriculture For The Provision Of<br>Agricultural McGovern-Dole International Food for Education and<br>Child Nutrition Program (Laos)                               | 10.608         | OSGM:FFE-439-2006/137-000<br>Budget # 2006-12D | 09/20/06 - 09/19/08       | \$2,910,386    | \$641,926                    | \$434,511                          |
| United States Department of Agriculture For The Provision Of<br>Agricultural McGovern-Dole International Food for Education and<br>Child Nutrition Program (Laos)                               | 10.608         | OSGM:FFE-439-2006/010-000<br>Budget # 2008-242 | 10/1/08 - 09/30/09        | \$3,800,000    | \$1,065,525                  | \$2,503,300                        |
| United States Department of State Bureau of Political-Military Affairs<br>Office of Weapons Removal and Abatement Expansion of Mushroom<br>Farming In Vietnam:UXO Survivors' Assistance Program | N/A            | S-PMWRA-06-GR-101                              | 09/01/06 - 08/31/07       | \$63,200       | \$19,786                     | \$5,703                            |
| United States Department of State Bureau of Political-Military Affairs<br>Office of Weapons Removal and Abatement Expansion of Mushroom<br>Farming In Vietnam:Implementation of Business Plan   | N/A            | S-PMWRA-07-GR-089                              | 09/01/07 - 12/31/08       | \$58,644       | \$48,193                     | \$0                                |
| United States Department of State Bureau of Political-Military Affairs<br>Office of Weapons Removal and Abatement Surplus Commodities<br>Program                                                | N/A            | S-PMWRA-06-GR-079                              | 09/01/06 - 08/31/07       | \$54,550       | \$20,457                     | \$19,431                           |
| United States Department of State Bureau of Political-Military Affairs<br>Office of Weapons Removal and Abatement Demining and<br>Development                                                   | N/A            | S-PMWRA-07-GR-086                              | 09/01/07 - 12/31/08       | \$58,559       | <u>\$56,755</u>              | <u>\$20,378</u>                    |
|                                                                                                                                                                                                 |                |                                                | Total                     |                | <u>\$2,690,050</u>           | <u>\$2,983,323</u>                 |

See accompanying notes to schedule of expenditures of federal awards.



**THE HUMPTY DUMPTY INSTITUTE, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Humpty Dumpty Institute, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2008, the Organization did not have food commodities remaining in inventory.

**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**

To the Board of Directors  
The Humpty Dumpty Institute, Inc.

We have audited the financial statements of The Humpty Dumpty Institute, Inc. (a non-profit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated November 3, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Humpty Dumpty Institute, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Humpty Dumpty Institute, Inc's financial statements are free of 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 amount. 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.

We noted certain matters that we reported to management of The Humpty Dumpty Institute, Inc. in a separate letter dated November 3, 2009.

This report is intended solely for the information and use of management, Board of Directors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

North Bellmore, NY  
November 3, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
The Humpty Dumpty Institute, Inc.

Compliance

We have audited the compliance of The Humpty Dumpty Institute, Inc. (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The Humpty Dumpty Institute, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants, applicable to each of its major federal programs is the responsibility of The Humpty Dumpty Institute, Inc.'s management. Our responsibility is to express an opinion on The Humpty Dumpty Institute, Inc.'s compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 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 The Humpty Dumpty Institute, Inc.'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. Our audit does not provide a legal determination of The Humpty Dumpty Institute, Inc.'s compliance with those requirements.

In our opinion, The Humpty Dumpty Institute, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

## Internal Control Over Compliance

The management of The Humpty Dumpty Institute, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Humpty Dumpty Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 The Humpty Dumpty Institute, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Humpty Dumpty Institute Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Humpty Dumpty Institute Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

North Bellmore, NY  
November 3, 2009





**THE HUMPTY DUMPTY INSTITUTE, INC.**

**DECEMBER 31, 2008**

**TABLE OF CONTENTS**

|                                                                                                                                                                                                                                | <u>Page</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Report of Independent Auditors                                                                                                                                                                                                 | 1-2         |
| Financial Statements:                                                                                                                                                                                                          |             |
| Statement of Financial Position as of<br>December 31, 2008                                                                                                                                                                     | 3           |
| Statement of Activities for the Year Ended<br>December 31, 2008                                                                                                                                                                | 4           |
| Statement of Cash Flows for the Year Ended<br>December 31, 2008                                                                                                                                                                | 5           |
| Notes to Financial Statements                                                                                                                                                                                                  | 6-16        |
| Supplementary Information:                                                                                                                                                                                                     |             |
| Supplementary Schedule of Functional Expenses<br>for the Year Ended December 31, 2008                                                                                                                                          | 17          |
| Supplemental Schedule of Expenditures of Federal<br>Awards for the Year Ended December 31, 2008                                                                                                                                | 18-19       |
| Independent Auditors' Report on Internal Control over<br>Financial Reporting and on Compliance and Other<br>Matters Based on an Audit of Financial Statements<br>Performed in Accordance with Government<br>Auditing Standards | 20-21       |
| Independent Auditors' Report on Compliance with<br>Requirements Applicable to Each Major Program and<br>Internal Control over Compliance in Accordance with<br>OMB Circular A-133                                              | 22-23       |
| Schedule of Findings and Questioned Costs for the<br>Year Ended December 31, 2008                                                                                                                                              | 24          |

**SUPPLEMENTARY INFORMATION**