

FINANCIAL STATEMENTS



ACTION AGAINST HUNGER - USA

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

ACTION AGAINST HUNGER - USA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Action Against Hunger - USA
New York, New York

We have audited the accompanying financial statements of Action Against Hunger - USA, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Action Against Hunger - USA as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

August 4, 2016

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ACTION AGAINST HUNGER – USA

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS		
	<u>2015</u>	<u>2014</u>
Cash and cash equivalents (Note 2):		
Headquarters	\$ 6,451,456	\$ 8,426,017
Field offices	566,035	817,013
	<hr/>	<hr/>
Total cash and cash equivalents	7,017,491	9,243,030
Grants receivable (Note 3)	47,928,838	55,235,131
Travel advances and other receivables	1,414,956	1,070,909
Prepaid expenses	306,889	157,619
Program advances to network (Note 4)	1,364,973	808,661
Furniture, equipment, vehicles and leasehold improvements, net (Note 5)	1,664,633	239,732
Right-of-use asset, net (Note 11)	10,456,492	-
Deposits	-	62,381
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 70,154,272</u>	<u>\$ 66,817,463</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,415,015	\$ 2,276,461
Provision for unanticipated losses	788,548	905,906
Due to network (Note 4)	2,786,696	1,694,378
Operating lease obligation (Note 11)	10,746,950	-
Deferred rent (landlord construction), net (Note 11)	1,021,943	-
	<hr/>	<hr/>
Total liabilities	16,759,152	4,876,745
 NET ASSETS		
Unrestricted:		
Undesignated	3,349,506	4,127,392
Designated (Note 9)	760,000	935,000
	<hr/>	<hr/>
Total unrestricted net assets	4,109,506	5,062,392
Temporarily restricted (Note 6)	49,285,614	56,878,326
	<hr/>	<hr/>
Total net assets	53,395,120	61,940,718
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 70,154,272</u>	<u>\$ 66,817,463</u>

ACTION AGAINST HUNGER – USA

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 4,805,856	\$ 501,365	\$ 5,307,221
Grants (Notes 7 and 14):			
U.S. Government	-	21,709,168	21,709,168
Non-U.S. Government	-	28,037,072	28,037,072
In-kind contributions (Note 10)	2,282,323	-	2,282,323
Interest	4,704	-	4,704
Other	235,875	2,983	238,858
Net assets released from donor restrictions (Note 8)	51,437,575	(51,437,575)	-
Total revenue and support	<u>58,766,333</u>	<u>(1,186,987)</u>	<u>57,579,346</u>
EXPENSES			
Program Services:			
Democratic Republic of Congo Programs	7,949,378	-	7,949,378
Kenya Programs	2,930,482	-	2,930,482
South Sudan Programs	7,236,152	-	7,236,152
Uganda Programs	2,449,594	-	2,449,594
Pakistan Programs	10,845,492	-	10,845,492
Nigeria Programs	10,290,067	-	10,290,067
Tanzania Programs	20,062	-	20,062
Burundi Programs	8,572	-	8,572
Cambodia Programs	237,613	-	237,613
Other Country and Strategic Programs	3,217,687	-	3,217,687
Programs Sub-contracted to Network:			
Syria Programs	889,438	-	889,438
Senegal Programs	122,742	-	122,742
Niger Programs	360,096	-	360,096
Nepal Programs	702,833	-	702,833
Philippines Programs	341,935	-	341,935
Mali Programs	245,770	-	245,770
Mongolia Programs	131	-	131
Mauritania Programs	2,147,706	-	2,147,706
Liberia Programs	-	-	-
Sierra Leone Programs	1,607,962	-	1,607,962
Total program services	<u>51,603,712</u>	<u>-</u>	<u>51,603,712</u>
Supporting Services:			
Program Support	4,330,703	-	4,330,703
Management and General	2,581,078	-	2,581,078
Fundraising	1,196,718	-	1,196,718
Total supporting services	<u>8,108,499</u>	<u>-</u>	<u>8,108,499</u>
Public Information Campaign	325,200	-	325,200
Total expenses	<u>60,037,411</u>	<u>-</u>	<u>60,037,411</u>
Changes in net assets before other items	(1,271,078)	(1,186,987)	(2,458,065)
OTHER ITEMS			
Provision for unanticipated losses	(5,051)	-	(5,051)
Exchange gain (loss)	323,243	(2,663,599)	(2,340,356)
De-obligated awards and funds returned to donors	-	(3,742,126)	(3,742,126)
CHANGES IN NET ASSETS	<u>\$ (952,886)</u>	<u>\$ (7,592,712)</u>	<u>\$ (8,545,598)</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ 8,213,956	\$ 146,939	\$ 8,360,895
-	18,276,473	18,276,473
-	37,994,912	37,994,912
1,428,709	-	1,428,709
4,797	-	4,797
335,989	50,291	386,279
51,013,314	(51,013,314)	-
60,996,765	5,455,301	66,452,066
9,259,647	-	9,259,647
4,097,978	-	4,097,978
10,208,057	-	10,208,057
3,675,918	-	3,675,918
13,409,461	-	13,409,461
5,230,680	-	5,230,680
-	-	-
-	-	-
90,890	-	90,890
2,124,002	-	2,124,002
900	-	900
-	-	-
-	-	-
-	-	-
1,557,919	-	1,557,919
-	-	-
-	-	-
215,442	-	215,442
21,781	-	21,781
209,320	-	209,320
50,101,995	-	50,101,995
3,956,491	-	3,956,491
2,762,641	-	2,762,641
1,352,796	-	1,352,796
8,071,928	-	8,071,928
227,192	-	227,192
58,401,115	-	58,401,115
2,595,650	5,455,301	8,050,951
(505,905)	-	(505,905)
(363,779)	(2,918,067)	(3,281,846)
-	(1,412,821)	(1,412,821)
\$ 1,725,966	\$ 1,124,413	\$ 2,850,379

See accompanying notes to financial statements.

ACTION AGAINST HUNGER – USA

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Unrestricted						Total
	Undesignated	Management Designated (Note 9) Program Development	Board Designated (Note 9) Emergency Fund	Total Designated	Total Unrestricted	Temporarily Restricted	
Net assets at December 31, 2013	\$ 3,086,426	\$ 100,000	\$ 150,000	\$ 250,000	\$3,336,426	\$55,753,913	\$59,090,339
Changes in net assets	1,725,966	-	-	-	1,725,966	1,124,413	2,850,379
Transfer	(685,000)	385,000	300,000	685,000	-	-	-
Net assets at December 31, 2014	4,127,392	485,000	450,000	935,000	5,062,392	56,878,326	61,940,718
Changes in net assets	(952,886)	-	-	-	(952,886)	(7,592,712)	(8,545,598)
Transfer	175,000	(175,000)	-	(175,000)	-	-	-
NET ASSETS AT DECEMBER 31, 2015	\$ 3,349,506	\$ 310,000	\$ 450,000	\$ 760,000	\$4,109,506	\$49,285,614	\$53,395,120

ACTION AGAINST HUNGER – USA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services							
	Democratic Republic of Congo Programs	Kenya Programs	South Sudan Programs	Uganda Programs	Pakistan Programs	Nigeria Programs	Tanzania Programs	Burundi Programs
Personnel:								
U.S. staff	\$ -	\$ -	\$ -	\$ -	\$ 129,460	\$ 25,436	\$ -	\$ -
Other U.S. payroll	894,501	69,258	1,068,558	308,689	170,686	708,107	10,271	150
Fringe benefits (Note 12)	490,767	77,216	759,879	74,112	244,861	584,167	2,776	1,622
National Field Staff	2,756,516	1,501,452	1,635,272	504,650	4,226,190	1,903,675	-	62
Office running costs and services:								
Insurance	4,242	4,958	-	-	-	-	-	-
Rent, utilities and amortization of right-of use asset (Note 11)	175,938	143,500	425,956	79,667	229,633	233,132	-	-
Professional fees	40,588	24,535	15,785	13,365	1,124	5,353	3,522	2,050
Travel	140,915	13,440	280,698	29,090	115,847	134,748	3,477	3,909
Telecommunications	129,848	30,294	126,986	39,104	47,429	96,497	-	61
Postage and custom fees	4,357	1,078	164	82	7,749	1,517	-	-
Finance charges	38,473	3,902	59,972	3,919	65,399	43,713	16	8
Meeting expenses	-	458	-	1,070	10,756	50	-	60
Human resources	-	-	-	-	-	-	-	-
Office equipment and supplies:								
Office supplies	137,631	28,229	121,067	32,043	103,688	252,889	-	79
Depreciation and amortization	-	-	-	31,354	-	-	-	-
Equipment rental and maintenance	5,588	262	11,511	1,242	5,467	2,910	-	-
Public awareness expenses:								
Fundraising expense	-	-	-	-	-	-	-	-
Public information and membership dues	-	-	-	-	-	-	-	-
Project Logistics:								
Vehicles	802,360	306,529	655,941	95,500	1,055,445	655,951	-	571
Radios	28,198	1,066	16,940	670	-	93,246	-	-
Warehouse	43,990	191	56,762	113	64,472	7,710	-	-
Electrical systems	62,224	1,705	55,416	5,192	61,283	93,543	-	-
Freight	374,518	480	244,529	12,541	391,034	49,158	-	-
Security	5,453	-	-	-	325	1,085	-	-
Logistics library	-	-	791	-	-	-	-	-
Project expenses (Note 10):								
Food	-	-	60,075	-	37,951	-	-	-
Nutrition	555,748	11	983,183	11,884	117,433	20,446	-	-
Health	57,025	-	62,185	-	456,171	(2,030)	-	-
Food security	219,625	-	40,780	63,873	52,285	2,330,616	-	-
Non consumables	216,401	-	68,363	816,086	2,055,194	1,645,478	-	-
Watsan	411,239	303,495	197,150	19,481	793,844	436,930	-	-
Training	284,559	399,403	251,662	254,909	361,220	843,792	-	-
Other	39,853	10,369	31,266	44,855	5,016	30,782	-	-
Subcontracts:								
Sub-contracts to Partners	28,821	8,651	5,261	6,103	35,530	91,166	-	-
TOTAL	\$7,949,378	\$2,930,482	\$7,236,152	\$2,449,594	\$10,845,492	\$10,290,067	\$ 20,062	\$8,572

Supporting Services									
Cambodia Programs	Other Country and Strategy Programs	Programs Sub-Contracted to Network	Total Program Services	Program Support	Management and General	Fundraising	Total Supporting Services	Public Information Campaign (Note 10)	Total Expenses
\$ 8,148	\$ 290,333	\$ -	\$ 453,377	\$2,419,836	\$1,204,910	\$ 472,780	\$4,097,526	\$ -	\$ 4,550,903
87,578	83,014	-	3,400,812	291,889	201,692	83,142	576,723	-	3,977,535
59,022	50,536	-	2,344,958	638,811	138,096	121,209	898,116	-	3,243,074
25,922	-	-	12,553,739	231,881	-	-	231,881	-	12,785,620
-	-	-	9,200	-	26,989	-	26,989	-	36,189
7,370	-	-	1,295,196	63,732	401,706	-	465,438	-	1,760,634
1,804	2,220	-	110,346	93,192	95,646	23,284	212,122	-	322,468
17,875	41,081	-	781,080	304,938	54,225	17,604	376,767	-	1,157,847
1,464	785	-	472,468	16,923	56,420	125	73,468	-	545,936
-	358	-	15,305	4,689	7,004	26,719	38,412	-	53,717
446	243	-	216,091	1,010	42,242	48,411	91,663	-	307,754
-	6,452	-	18,846	45,933	22,226	947	69,106	-	87,952
-	80	-	80	5,744	-	-	5,744	-	5,824
12,590	14,762	-	702,978	100,345	76,263	10,126	186,734	-	889,712
-	-	-	31,354	20,534	112,991	-	133,525	-	164,879
496	-	-	27,476	-	19,121	-	19,121	-	46,597
-	2,170	-	2,170	-	-	392,371	392,371	325,200	719,741
-	-	-	-	168	102,201	-	102,369	-	102,369
13,006	-	-	3,585,303	7,548	-	-	7,548	-	3,592,851
-	-	-	140,120	-	-	-	-	-	140,120
-	-	-	173,238	-	-	-	-	-	173,238
-	-	-	279,363	(6,410)	-	-	(6,410)	-	272,953
1,041	-	-	1,073,301	(99)	-	-	(99)	-	1,073,202
-	-	-	6,863	-	-	-	-	-	6,863
-	-	-	791	-	-	-	-	-	791
-	-	-	98,026	-	-	-	-	-	98,026
34	-	-	1,688,739	-	-	-	-	-	1,688,739
-	-	-	573,351	-	-	-	-	-	573,351
-	-	-	2,707,179	-	-	-	-	-	2,707,179
-	-	-	4,801,522	-	-	-	-	-	4,801,522
-	-	-	2,162,139	2,739	-	-	2,739	-	2,164,878
817	-	-	2,396,362	10,590	-	-	10,590	-	2,406,952
-	-	-	162,141	-	2,019	-	2,019	-	164,160
-	2,725,653	6,418,613	9,319,798	76,710	17,327	-	94,037	-	9,413,835
\$237,613	\$ 3,217,687	\$ 6,418,613	\$51,603,712	\$4,330,703	\$2,581,078	\$1,196,718	\$8,108,499	\$325,200	\$60,037,411

ACTION AGAINST HUNGER – USA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services						
	Democratic Republic of Congo Programs	Kenya Programs	South Sudan Programs	Uganda Programs	Pakistan Programs	Nigeria Programs	Cambodia Programs
	Personnel:						
U.S. staff	\$ -	\$ -	\$ 26,046	\$ -	\$ 252,991	\$ 6,944	\$ 2,105
Other U.S. payroll	1,044,636	169,526	1,250,413	448,052	191,586	448,414	45,155
Fringe benefits (Note 12)	577,110	122,788	742,143	135,623	352,448	318,023	22,589
National Field Staff	2,932,277	2,081,104	1,851,550	714,748	3,998,743	1,563,155	5,210
Office running costs and services:							
Insurance	4,303	-	-	-	-	-	-
Rent, utilities and amortization of right-of-use asset (Note 11)	217,290	237,477	454,904	153,301	224,341	150,822	3,453
Professional fees	38,205	17,263	46,014	17,190	1,770	4,365	-
Travel	203,255	18,473	332,357	16,384	149,798	87,455	4,948
Telecommunications	134,622	50,396	141,725	63,903	57,700	80,982	395
Postage and custom fees	19,584	1,911	62	50	8,852	1,591	13
Finance charges	31,335	4,972	56,865	10,364	67,522	25,133	207
Meeting expenses	-	(2,199)	-	-	-	-	-
Human resources	-	-	-	-	-	-	-
Office equipment and supplies:							
Office supplies	177,103	50,362	419,529	37,188	163,959	84,559	3,399
Depreciation and amortization	-	-	91,981	10,451	-	1,906	-
Equipment rental and maintenance	2,550	202	5,547	3,335	6,744	3,588	55
Public awareness expenses:							
Fundraising expense	-	-	-	-	-	-	-
Public information and membership dues	-	-	-	-	-	-	-
Project logistics:							
Vehicles	789,884	523,301	736,884	230,717	1,289,990	318,142	3,361
Radios	59,946	747	28,599	-	-	-	-
Warehouse	33,084	-	109,986	120	57,695	-	-
Electrical systems	76,993	3,538	211,210	10,438	62,274	60,044	-
Freight	512,709	909	351,138	36,694	140,252	44,063	-
Security	567	-	-	-	12,725	-	-
Project expenses (Note 10):							
Food	24	-	146,461	-	8,342	-	-
Nutrition	1,146,165	14,604	1,530,621	11,587	1,368,169	112,856	-
Health	75,197	6,817	181,188	20	706,830	37,381	-
Food security	269,516	-	135,159	123,636	49,798	-	-
Non consumables	93,744	12,924	110,616	43,313	2,374,128	88,834	-
Watsan	513,435	178,891	544,669	118,917	1,376,542	73,184	-
Training	249,204	542,076	636,702	1,487,696	407,615	857,896	-
Other	23,775	55,932	44,010	8,803	53,880	31,197	-
Sub-contracts:							
Sub-contracts to Partners	33,134	5,964	21,678	(6,612)	24,767	830,146	-
TOTAL	\$9,259,647	\$4,097,978	\$10,208,057	\$3,675,918	\$13,409,461	\$5,230,680	\$ 90,890

Other Country and Strategic Programs	Programs Sub-contracted to Network	Total Program Services	Supporting Services				Total Supporting Services	Public Information Campaign (Note 10)	Total Expenses
			Program Support	Management and General	Fundraising				
\$ 174,124	\$ -	\$ 462,210	\$2,220,064	\$ 1,020,358	\$ 456,016	\$3,696,438	\$ -	\$ 4,158,648	
192,421	-	3,790,203	293,621	122,692	51,733	468,046	-	4,258,249	
61,541	-	2,332,265	652,005	275,239	108,484	1,035,728	-	3,367,993	
1,783	-	13,148,570	214,636	-	-	214,636	-	13,363,206	
-	-	4,303	-	14,851	-	14,851	-	19,154	
5,663	-	1,447,251	58,755	601,660	2,550	662,965	-	2,110,216	
1,177	-	125,984	114,233	132,419	50,498	297,150	-	423,134	
55,592	-	868,262	252,997	51,776	14,165	318,938	-	1,187,200	
176	-	529,899	19,047	59,087	-	78,134	-	608,033	
281	-	32,344	3,680	4,208	40,035	47,923	-	80,267	
856	-	197,254	1,057	44,817	39,151	85,025	-	282,279	
1,179	-	(1,020)	19,397	16,539	2,753	38,689	-	37,669	
-	-	-	11,074	330	-	11,404	-	11,404	
4,346	-	940,445	32,221	63,494	4,177	99,892	-	1,040,337	
-	-	104,338	11,983	25,287	-	37,270	-	141,608	
-	-	22,021	401	35,671	-	36,072	-	58,093	
-	-	-	-	-	583,234	583,234	227,192	810,426	
-	-	-	834	108,075	-	-	-	108,909	
1,012	-	3,893,291	7,434	-	-	-	-	3,900,725	
-	-	89,292	-	-	-	-	-	89,292	
-	-	200,885	-	-	-	-	-	200,885	
-	-	424,497	10,925	-	-	-	-	435,422	
-	-	1,085,765	-	-	-	-	-	1,085,765	
-	-	13,292	-	-	-	-	-	13,292	
-	-	154,827	-	-	-	-	-	154,827	
-	-	4,184,002	-	-	-	-	-	4,184,002	
-	-	1,007,433	-	-	-	-	-	1,007,433	
-	-	578,109	-	-	-	-	-	578,109	
-	-	2,723,559	-	-	-	-	-	2,723,559	
-	-	2,805,638	-	-	-	-	-	2,805,638	
9,444	-	4,190,633	31,687	-	-	-	-	4,222,320	
-	-	217,597	-	(831)	-	(831)	-	216,766	
1,614,407	2,005,362	4,528,846	440	186,969	-	187,409	-	4,716,255	
\$2,124,002	\$2,005,362	\$50,101,995	\$3,956,491	\$2,762,641	\$1,352,796	\$8,071,928	\$ 227,192	\$58,401,115	

ACTION AGAINST HUNGER - USA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$(8,545,598)	\$ 2,850,379
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	164,879	141,608
Amortization of right-of-use asset	290,458	-
Amortization of deferred rent (landlord construction)	(28,387)	-
(Increase) decrease in:		
Grants receivable	7,306,293	499,017
Travel advances and other receivables	(344,047)	941,704
Prepaid expenses	(149,270)	10,778
Program advances to network	(556,312)	(732,967)
Deposits	62,381	(459)
Increase (decrease) in:		
Accounts payable and accrued expenses	(861,446)	(18,933)
Provision for unanticipated losses	(117,358)	505,906
Due to network	1,092,318	71,400
Net cash (used) provided by operating activities	<u>(1,686,089)</u>	<u>4,268,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment, vehicles and leasehold improvements	<u>(539,450)</u>	<u>(214,587)</u>
Net cash used by investing activities	<u>(539,450)</u>	<u>(214,587)</u>
Net (decrease) increase in cash and cash equivalents	(2,225,539)	4,053,846
Cash and cash equivalents at beginning of year	<u>9,243,030</u>	<u>5,189,184</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,017,491</u>	<u>\$ 9,243,030</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Leasehold Improvements Funded by Landlord	<u>\$ 1,050,330</u>	<u>\$ -</u>
Right-of-Use Asset in Exchange for Lease Liability	<u>\$10,746,950</u>	<u>\$ -</u>

ACTION AGAINST HUNGER - USA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Action Against Hunger - USA is a non-profit, non-governmental, non-religious organization incorporated on April 11, 1985 under the laws of the State of New York. Action Against Hunger - USA's mission is to fight hunger by providing relief and facilitating autonomy in five areas: nutrition, food security, water and sanitation, health programs and disaster preparedness.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

Action Against Hunger - USA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Travel advances and other receivables -

Travel advances and other receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable -

Amounts to be received in the future are recorded as grants receivable in the Statements of Financial Position. All grants receivable are stated at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year unless otherwise stated by the donor. Accordingly, an allowance for doubtful accounts has not been established.

Furniture, equipment, vehicles and leasehold improvements -

Furniture, equipment, vehicles and leasehold improvements with costs in excess of \$2,500 are capitalized and stated at cost.

Depreciation and amortization of equipment and furniture at headquarters are depreciated and amortized over three and five years, respectively.

Leasehold improvements are amortized over the term of the related leases, or the life of the asset whichever is shorter, using the straight-line method.

Equipment (mainly satellite phones, telecom equipment and generators) and vehicles maintained in the field are depreciated over one and two years, respectively. Furniture, equipment and vehicles purchased with restricted grant funds are recorded as an expense and charged against the grant which provided the funds to purchase the furniture, equipment and vehicles.

ACTION AGAINST HUNGER - USA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Right-of-use asset -

In accordance with ASC 842, the right-of-use asset and related lease obligation is amortized over the lease term on a straight-line basis. As stated in note 11, amortization of the right-of-use asset is included in rent expense in the accompanying Statements of Functional Expenses.

Income taxes -

Action Against Hunger - USA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

In addition, Action Against Hunger - USA has been classified by the Internal Revenue Service as a public charity of the type described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, Action Against Hunger - USA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Action Against Hunger- USA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Action Against Hunger - USA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants received with donor-imposed restrictions are recognized as unrestricted support only to the extent of actual expenses incurred.

Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

Provision for unanticipated losses -

Action Against Hunger - USA has established a provision for unanticipated losses. The provision is to cover expenses that result from programs which Action Against Hunger - USA may maintain for which there is no donor funding as well as potential losses as a result of donor audits, supplier tax liabilities, severance liabilities, bad debt and frozen assets.

Foreign currency translation -

The U.S. dollar ("dollars") is the functional currency for Action Against Hunger - USA's operations worldwide. Transactions in currencies other than U.S. dollars are translated into dollars at the rates of exchange in effect during the month of the transaction.

Current assets, current liabilities and temporarily restricted net assets denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position.

Currency gains and losses from translation are recorded as another item in the accompanying Statements of Activities.

Donated goods and services -

Action Against Hunger - USA receives significant in-kind donations of food, transportation and medical supplies in support of its programs. Donations are received from the World Food Program (WFP), UNICEF and various other international organizations.

In addition, during 2015 and 2014, Action Against Hunger - USA received in-kind contributions for a public awareness campaign.

All in-kind donations are recorded at their fair value on the date of donation (see Note 10).

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. CONCENTRATION OF CREDIT RISK

Action Against Hunger - USA maintains a portion of its cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Action Against Hunger - USA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Action Against Hunger - USA also maintains cash balances at financial institutions in foreign countries. Action Against Hunger - USA had \$566,035 and \$817,013 of cash and cash equivalents held in foreign countries at December 31, 2015 and 2014, respectively. The majority of these funds are uninsured.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
European Community Humanitarian Organization	\$ 5,322,439	\$ 7,794,854
European Union	4,187,059	5,691,157
U.S. Agency for International Development	18,222,297	13,203,631
U.S. State Department	1,360,000	83,277
UNDP	-	283,117
UNICEF	1,449,823	1,383,259
World Food Program	482,873	517,493
Other United Nations Agencies	463,012	392,823
DFID/Overseas Development	13,371,534	20,886,171
CIDA/DFATD	937,714	645,073
Swiss Government	166,850	127,673
NGOs	266,864	38,337
Foundations	1,159,815	2,228,826
The Swedish Cooperation	-	158,266
Norwegian Government	398,504	1,533,029
Other partner organizations	140,054	268,145
TOTAL GRANTS RECEIVABLE	<u>\$ 47,928,838</u>	<u>\$ 55,235,131</u>

Following is a schedule, by year, of maturities of grants receivable at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 39,928,523	\$ 38,531,767
One to five years	8,216,868	17,137,443
Total	48,145,391	55,669,210
Less: Allowance to discount balance to present value	<u>(216,553)</u>	<u>(434,079)</u>
GRANTS RECEIVABLE	<u>\$ 47,928,838</u>	<u>\$ 55,235,131</u>

4. ACTION AGAINST HUNGER NETWORK

Action Against Hunger - USA is a member of a network that includes four other international non-governmental organizations headquartered in Paris, Madrid, London and Montreal. The network collaborates to accomplish a worldwide shared mission. Action Against Hunger - USA and the four other members of the network provide inter-organizational program, human resources and logistic support on behalf of their related overseas programs. At December 31, 2015 and 2014, Action Against Hunger - USA owed the network \$2,786,696 and \$1,694,378, respectively. At December 31, 2015 and 2014, Action Against Hunger - USA advanced funds to the network for sub-contracted programs in the amounts of \$1,364,973 and \$808,661, respectively.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, vehicles and leasehold improvements consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture	\$ 281,440	\$ 44,861
Equipment	714,285	577,687
Vehicles	773,412	918,314
Leasehold improvements:		
Leasehold improvements - other	292,481	163,315
Landlord construction, net of amortization	<u>1,021,943</u>	<u>-</u>
	3,083,561	1,704,177
Less: Accumulated depreciation and amortization	<u>(1,418,928)</u>	<u>(1,464,445)</u>
FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET	<u>\$ 1,664,633</u>	<u>\$ 239,732</u>

Depreciation and amortization expense totaled \$164,879 and \$141,608, for the years ended December 31, 2015 and 2014, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, temporarily restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Canada Programs:		
U.S. Agency for International Development (FFP)	\$ 386,736	\$ 479,678
Mali Programs:		
U.S. Agency for International Development (FFP)	984,385	-
Niger Programs:		
U.S. State Department (BPRM)	645,276	-
U.S. Agency for International Development (OFDA)	906,658	-
Mauritania Programs:		
U.S. Agency for International Development (OFDA)	1,155,757	1,215,493
Philippines Programs:		
U.S. Agency for International Development (FFP)	-	400,730
Senegal Programs:		
U.S. Agency for International Development (OFDA)	373,855	-
Syria Programs:		
U.S. Agency for International Development (FFP)	519,597	-
Cambodia Programs:		
Corporations Restricted (Google)	539,981	-

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

6. TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2015</u>	<u>2014</u>
Kenya Programs:		
U.S. Agency for International Development (OFDA)	\$ 2,963	\$ 129,086
UNICEF	1,068,479	482,531
European Community Humanitarian Organization	23,598	19,492
European Commission – B1 (FOOD SEC)	837,488	-
World Food Program	-	175,775
Swedish Government	-	196,867
Charity Water	163,594	419,840
Uganda Programs:		
World Food Program	3,682	90,060
U.S. State Department (BPRM)	435,351	56,671
Royal Norwegian Embassy	431,833	1,221,088
Swedish Government	198,597	-
Pakistan Programs:		
Royal Norwegian Embassy	1,121,098	1,240,257
European Community Humanitarian Organization	963,228	5,587,634
European Commission - B1 (FOOD SEC)	3,975,644	7,243,765
Other NGOs (ELRHA/Save the Children)	440,538	-
Corporations/Restricted (P&G)	150,000	-
DFID/Overseas Development	166,794	589,645
World Bank	-	7,071
Swedish Government	677,449	178,928
Innocent Foundation	267,172	-
Charity Water	-	987,392
South Sudan Programs:		
European Community Humanitarian Organization	396,491	147,174
U.S. Agency for International Development (OFDA)	2,784,400	3,978,129
U.S. Agency for International Development (OFDA)	208,157	-
UNICEF	-	331,641
United Nations	396,041	-
Swiss Government	-	42,997
Democratic Republic of Congo Programs:		
U.S. Agency for International Development (OFDA)	-	890,175
European Community Humanitarian Organization	96,219	162,700
UNICEF	287,002	144,484
UNDP	-	159,898
Canadian Government	-	750,362
DFID/Overseas Development	2,397,759	5,938,927
Swedish Government	207,505	226,370
Swiss Government	-	299,544

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

6. TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2015</u>	<u>2014</u>
Nigeria Programs:		
European Community Humanitarian Organization	\$ 1,001,226	\$ 538,847
U.S. Agency for International Development (OFDA)	2,298,371	1,175,751
U.S. Agency for International Development (FFP)	4,002,432	2,961,226
DFID/Overseas Development	8,940,675	10,109,482
DFATD/Canadian Embassies	685,183	-
Swiss Government	313,972	-
Foundations (Proctor and Gamble)	99,208	-
Foundations (CIFF)	-	446,419
Sierra Leone Programs:		
Foundations (ELMA)	297,902	-
Foundations (Paul Allen)	-	1,691,757
Other Strategic Programs:		
European Community Humanitarian Organization	293,462	-
U.S. Agency for International Development (OFDA)	1,825,204	-
U.S. Agency for International Development (FFP)	1,903,547	1,911,866
UNICEF	-	113,088
DFID (Refani)	2,117,173	3,777,624
Swedish Government	-	47,014
Canadian Government	844,681	-
Save the Children	230,042	-
IRC (OFDA)	307,445	-
Corporations Restricted	50,000	-
Foundations Restricted (CIFF)	861,764	-
Corporations and Private (VISA and OXFAM)	-	310,848
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 49,285,614</u>	<u>\$ 56,878,326</u>

7. GRANTS

Action Against Hunger - USA receives grants from the U.S. Government and other Non-U.S. Government organizations. The following is a summary of the grants received during 2015 and 2014:

	<u>2015</u>	<u>2014</u>
U.S. Government Grants:		
U.S. Agency for International Development (OFDA/FFP):		
South Sudan	\$ 3,010,741	\$ 5,810,804
Democratic Republic of Congo Programs	-	1,200,000
Niger	1,222,000	-
Mali	1,236,959	-
Kenya	-	131,489
Philippines	-	1,865,493
Senegal	499,995	-

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

7. GRANTS (Continued)

	2015	2014
U.S. Government Grants (Continued):		
U.S. Agency for International Development (OFDA/FFP) (continued):		
Canada Programs	\$ 450,000	\$ -
US Strategic Programs	3,158,382	2,812,286
Mauritania	2,147,431	1,436,124
Syria	1,433,660	-
Nigeria	7,100,000	4,600,000
U.S. State Department (BPRM):		
Niger	700,000	-
Uganda	750,000	420,277
	\$ 21,709,168	\$18,276,473
TOTAL U.S. GOVERNMENT GRANTS		
	2015	2014
Non-U.S. Government Grants:		
South Sudan Programs:		
European Community Humanitarian Organization	\$ 1,469,750	\$ 3,241,082
United Nations	1,357,518	986,729
UNICEF	-	2,697,944
Swiss Government	-	2,727
Foundations (Start Fund)	446	112,656
Uganda Programs:		
World Food Program	589,611	531,108
Royal Norwegian Embassy	463,898	1,452,309
Swedish Government	422,036	-
Charity Water	-	100,000
Democratic Republic of Congo Programs:		
UNICEF	831,470	200,000
European Community Humanitarian Organization	704,470	930,713
DFID/Overseas Development	3,115,881	(61,448)
Canadian Government	-	1,333,923
Swedish Cooperation	1,055,090	1,046,527
Swiss Government	97,681	412,583
Kenya Programs:		
European Community Humanitarian Organization	567,500	238,823
European Commission – B1 (FOOD SEC)	1,075,534	-
UNICEF	1,476,134	1,403,598
World Food Program	54,173	241,072
DFID/Overseas Development	-	248,780
Charity Water	180,000	1,235,000
Swedish Cooperation	231,175	216,079

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

7. GRANTS (Continued)

	<u>2015</u>	<u>2014</u>
Non-U.S. Government Grants (Continued):		
Pakistan Programs:		
European Community Humanitarian Organization	\$ 2,107,575	\$ 9,284,066
European Commission – B1 (FOOD SEC)	35,405	163,267
Royal Norwegian Embassy	-	1,240,257
Corporations (P&G)	150,000	-
World Food Program	52,583	75,846
DFID/Overseas Development	26,437	645,812
Swedish Cooperation	1,312,671	436,253
Foundations – (Procter and Gamble, Innocent)	11,581	-
Foundations – (Charity Water)	-	1,546,483
Other NGOs (ELRHA/Save the Children)	466,723	-
Nigeria Programs:		
Foundations (CIFF)	100,000	(197,689)
European Community Humanitarian Organization	2,408,632	1,366,191
DFID/Overseas Development	1,640,608	373,125
United Nations	350,000	-
French Government	485,055	-
Canadian Government	1,110,695	-
Swiss Government	327,045	-
Sierra Leone Programs:		
Foundations (ELMA Relief Foundation)	300,000	-
Foundations (Paul Allen)	-	1,900,000
Cambodia Programs:		
Corporations (Google)	650,000	-
Nepal Programs:		
Foundations (Charity Water)	350,000	-
Strategic Programs:		
UNICEF Rapid Response Team	-	117,463
European Community Humanitarian Organization	357,883	-
Foundations (CIFF)	861,765	-
DFID (Refani)	50,881	4,235,344
Save the Children	229,943	-
Foundations (Pentair)	-	100,000
OXFAM (Training Center)	-	61,036
Canadian Government (Calp Project)	959,223	-
Nairobi Training/Log Center – Swedish Cooperation	-	74,753
Nairobi Training/Log Center – Private funding	-	2,500
TOTAL NON-U.S. GOVERNMENT GRANTS	<u>\$ 28,037,072</u>	<u>\$ 37,994,912</u>

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets which were released from donor restrictions by incurring expenses, which satisfied the donor-specified restrictions at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Democratic Republic of Congo Programs:	\$ 7,843,830	\$ 9,555,565
Kenya Programs	2,828,947	4,185,991
South Sudan Programs	6,481,815	9,822,792
Uganda Programs	2,323,263	3,524,292
Pakistan Programs	11,129,148	14,063,241
Nigeria Programs	10,670,716	5,527,822
Cambodia Programs	117,087	-
Other Strategic Programs	3,391,225	2,297,902
Programs Sub-contracted to Network:		
Syria Programs	914,063	-
Senegal Programs	126,140	-
Niger Programs	370,066	-
Nepal Programs	776,212	-
Philippines Programs	374,413	1,579,739
Mali Programs	252,574	-
Mauritania Programs	2,207,167	218,179
Sierra Leone	1,630,909	212,590
Liberia Programs	-	24,201
Haiti Programs	-	1,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 51,437,575</u>	<u>\$ 51,013,314</u>

9. DESIGNATED NET ASSETS

At December 31, 2015 and 2014, Action Against Hunger - USA had the following designated net assets:

Board-Designated:

- An Emergency Fund was established by resolution of the Board of Directors on March 13, 2007. This fund is to be used by Action Against Hunger - USA for a range of purposes, including funds for emergency relief operations, unexpected and urgently needed field expenses, some forms of bridge funding, and disaster preparedness.

The balance of the Emergency Fund at December 31, 2015 and 2014 totaled \$450,000 and \$450,000, respectively.

Management Designated:

- The Finance Committee of the Board of Directors approved management's proposal to allocate \$250,000 out of the 2008 surplus to create a "Program Development Fund" which may be replenished periodically. The purpose of the Program Development Fund was to create a funding source for exploratory missions. The balance of the Program Development Fund at December 31, 2015 and 2014 totaled \$310,000 and \$485,000, respectively.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following at December 31, 2015 and 2014:

	2015	2014
Project expenses (food, transportation and medical supplies)	\$ 1,941,913	\$ 1,144,996
Public Information Campaign (online ads)	325,200	267,192
Fundraising expenses (professional services)	15,210	16,521
TOTAL IN-KIND CONTRIBUTIONS	\$ 2,282,323	\$ 1,428,709

11. LEASE COMMITMENT

On February 12, 2015, Action Against Hunger - USA entered into a new lease for office space in Manhattan, N.Y., expiring on December 31, 2030. Upon execution of the new lease, Action Against Hunger - USA elected an early adoption of *Accounting Standards Codification*® ASC 842, *Leases*, which require the lessee to recognize the assets and liabilities that arise from leases. Under ASC 842, the total cost of the lease is allocated over the lease term on a straight-line basis. Accordingly, \$290,458 of amortization of the right-of-use asset incurred during 2015 is included in rent expense in the accompanying Statements of Functional Expenses. Total rent expense and amortization of right-of-use asset for the years ended December 31, 2015 and 2014 was \$536,379 and \$272,653, respectively.

Under the terms of the operating lease, the landlord incurred certain initial construction costs on behalf of Action Against Hunger - USA that amounted to \$1,050,330. The costs of the construction costs are included in leasehold improvements, net of related amortization (Note 5) under Furniture, equipment, vehicles and leasehold improvements, net, in the accompanying Statements of Financial Position. The construction costs will be amortized over the length of the lease agreement.

As of December 31, 2015, the right-of-use asset's initial measurement value (\$10,746,950) and the net value of the lease incentive (\$1,021,943) are shown as liabilities in the accompanying Statements of Financial Position. The right-of-use asset's initial measurement corresponds to the future minimum lease payments and will be reduced by the future monthly payments. The liability related to the value of the lease incentive (landlord construction) is being amortized over the length of the lease. During 2015 the initial liability was reduced by amortization of \$28,387.

The right-of-use asset at December 31, 2015 is lower than the corresponding liability since the right-of-use asset was amortized for several months during 2015; however, no lease payments were made during 2015. Following is a summary of the transactions resulting from the obligation of the new lease agreement:

	2015	2014
Right of Use Asset:		
Initial measurement of lease	\$ 10,746,950	\$ -
Accumulated amortization of right-of-use asset	(290,458)	-
Balance of right-of-use asset, net (Exhibit A)	10,456,492	-
Lease Incentive Asset:		
Landlord construction	1,050,330	-
Accumulated amortization	(28,387)	-
Balance of lease incentive asset, net (included in Note 5)	1,021,943	-
TOTAL OPERATING LEASE OBLIGATION	\$ 11,478,435	\$ -

ACTION AGAINST HUNGER - USA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

11. COMMITMENTS (Continued)

Future minimum payments required under the new lease agreement are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 551,997
2017	563,037
2018	574,298
2019	648,348
2020	660,063
2021	672,535
2022 and thereafter	<u>7,076,672</u>
	<u>\$10,746,950</u>

Action Against Hunger - USA also leases office space in numerous foreign countries under short-term lease agreements.

12. RETIREMENT PLAN

During 2007, Action Against Hunger - USA established a defined contribution 403(b) retirement plan for all full-time employees. Full-time employees are eligible immediately upon entry date to make 403(b) contributions.

Action Against Hunger - USA may elect to make employer contributions to the participant accounts in an amount equal to a discretionary percentage of the participant's W-2 wage compensation. In order to qualify for the employer contribution, the employee must have completed 1,000 hours of service within 12 consecutive months of employment. Participants are completely vested after three years of service.

For the year ended December 31, 2015, there were no contributions made by Action Against Hunger - USA. Total contributions by Action Against Hunger - USA for the year ended December 31, 2014, were \$130,824.

13. LINES OF CREDIT

On July 8, 2013, Action Against Hunger - USA entered into a bank line of credit bearing interest at a per annum rate equal to two percent (2.00%) above the LIBOR Rate. Credit available under the line of credit was \$2,000,000 at December 31, 2015 and 2014. There was no outstanding balance on the line of credit at December 31, 2015 and 2014. The line of credit is collateralized by grants receivable of Action Against Hunger that are less than 90 days agreed. The line of credit has been renewed through June 30, 2015.

On August 15, 2015, Action Against Hunger - USA entered into a standby letter of credit with a local bank in the sum of \$228,098 in funds available as a security deposit to the landlord. There was no outstanding balance on the line of credit at December 31, 2015.

14. CONTINGENCIES

U.S. Government awards -

Action Against Hunger - USA receives grants from various agencies of the United States Government.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

14. CONTINGENCIES (Continued)

U.S. Government awards (continued) -

For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign Government, International organizations and Other Grantor awards -

Action Against Hunger - USA receives grants and contracts from foreign governments, international organizations and other grantors. Such grants and contracts are subject to audit under the provisions stated in each grant agreement or contract. The ultimate determination of amounts received under these grants and contracts is based upon the allowance of costs reported to and accepted by the foreign governments, international organization and other grantors as a result of such audits. Until such audits have been accepted by these donors, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign operations -

Action Against Hunger - USA provides nutrition, food security, water and sanitation, health programs and disaster preparedness through its field offices in foreign countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

As of December 31, 2015 and 2014, Action Against Hunger - USA had cash, property and equipment and receivables in various countries in Africa and Asia, totaling approximately \$1,500,000 and \$2,000,000, which represents approximately 2.25% and 3% of Action Against Hunger - USA's total assets as of December 31, 2015 and 2014, respectively.

15. SUBSEQUENT EVENTS

In preparing these financial statements, Action Against Hunger - USA has evaluated events and transactions for potential recognition or disclosure through August 4, 2016, the date the financial statements were issued.