



# **ACTION AGAINST HUNGER - USA**

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

# ACTION AGAINST HUNGER - USA

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## **FINANCIAL STATEMENTS**



# **ACTION AGAINST HUNGER - USA**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

# ACTION AGAINST HUNGER - USA

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Action Against Hunger - USA  
Washington, D.C.

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Action Against Hunger - USA, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and 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 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 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.

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## 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, 2016 and 2015, 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.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(26 - 29), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of Action Against Hunger - USA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Action Against Hunger - USA's internal control over financial reporting and compliance.



September 29, 2017

## ACTION AGAINST HUNGER - USA

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2016 AND 2015

## ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents (Note 2):		
Headquarters	\$ 5,973,494	\$ 6,451,456
Field offices	<u>522,657</u>	<u>566,035</u>
Total cash and cash equivalents	6,496,151	7,017,491
Grants receivable (Note 3)	48,313,234	47,928,838
Travel advances and other receivables	1,354,015	1,414,956
Prepaid expenses	198,889	306,889
Program advances to network (Note 4)	775,491	1,364,973
Deposits	2,250	-
Furniture, equipment, vehicles and leasehold improvements, net (Note 5)	1,576,620	1,664,633
Right-of-use asset, net (Note 11)	<u>9,759,392</u>	<u>10,456,492</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 68,476,042</u></b>	<b><u>\$ 70,154,272</u></b>

## LIABILITIES AND NET ASSETS

## LIABILITIES

Accounts payable and accrued expenses	\$ 1,891,881	\$ 1,415,015
Provision for unanticipated loss	692,579	788,548
Due to Network (Note 4)	1,939,662	2,786,696
Operating lease obligation (Note 11)	10,194,953	10,746,950
Deferred rent (landlord construction), net (Note 11)	<u>953,813</u>	<u>1,021,943</u>
Total liabilities	<u>15,672,888</u>	<u>16,759,152</u>

## NET ASSETS

Undesignated	3,619,727	3,349,506
Designated (Note 9)	<u>760,000</u>	<u>760,000</u>
Total unrestricted net assets	4,379,727	4,109,506
Temporarily restricted (Note 6)	<u>48,423,427</u>	<u>49,285,614</u>
Total net assets	<u>52,803,154</u>	<u>53,395,120</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 68,476,042</u></b>	<b><u>\$ 70,154,272</u></b>

**ACTION AGAINST HUNGER - USA**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE</b>			
Contributions	\$ 7,368,201	\$ 120,028	\$ 7,488,229
Grants (Notes 7 and 14):			
U.S. Government	-	20,713,843	20,713,843
Non-U.S. Government	-	38,043,401	38,043,401
In-kind contributions (Note 10)	3,067,299	-	3,067,299
Interest income	378	-	378
Other revenue	45,859	-	45,859
Net assets released from donor restrictions (Note 8)	<u>56,499,012</u>	<u>(56,499,012)</u>	<u>-</u>
Total revenue	<u>66,980,749</u>	<u>2,378,260</u>	<u>69,359,009</u>
<b>EXPENSES</b>			
Program Services:			
Democratic Republic of Congo Programs	6,952,274	-	6,952,274
Kenya Programs	2,017,388	-	2,017,388
South Sudan Programs	9,525,073	-	9,525,073
Uganda Programs	3,113,565	-	3,113,565
Pakistan Programs	7,503,715	-	7,503,715
Nigeria Programs	17,073,832	-	17,073,832
Tanzania Programs	48,855	-	48,855
Burundi Programs	-	-	-
Cambodia Programs	666,829	-	666,829
Other Country and Strategic Programs	4,618,613	-	4,618,613
Programs Sub-contracted to Network:			
Syria Programs	517,451	-	517,451
Senegal Programs	679,483	-	679,483
Haiti Programs	45,450	-	45,450
Niger Programs	1,501,006	-	1,501,006
Nepal Programs	1,439	-	1,439
Philippines Programs	-	-	-
Mali Programs	964,125	-	964,125
Mongolia Programs	-	-	-
Mauritania Programs	1,343,741	-	1,343,741
Sierra Leone Programs	343,352	-	343,352
Madagascar Programs	540	-	540
Ethiopia Programs	900	-	900
Iraq Programs	540	-	540
Yemen Programs	91	-	91
Total program services	<u>56,918,262</u>	<u>-</u>	<u>56,918,262</u>
Supporting Services:			
Program Support	3,984,091	-	3,984,091
Management and General	3,081,483	-	3,081,483
Fundraising	<u>1,584,204</u>	<u>-</u>	<u>1,584,204</u>
Total supporting services	<u>8,649,778</u>	<u>-</u>	<u>8,649,778</u>
Public Information Campaign	<u>312,477</u>	<u>-</u>	<u>312,477</u>
Total expenses	<u>65,880,517</u>	<u>-</u>	<u>65,880,517</u>
Change in net assets before other items	1,100,232	2,378,260	3,478,492
<b>OTHER ITEMS</b>			
Provision for unanticipated losses	86,970	-	86,970
Exchange loss	(916,981)	(2,727,737)	(3,644,718)
De-obligated awards and funds returned to donors	<u>-</u>	<u>(512,710)</u>	<u>(512,710)</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 270,221</u>	<u>\$ (862,187)</u>	<u>\$ (591,966)</u>

See accompanying notes to financial statements.



<b>2015</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 4,805,856	\$ 501,365	\$ 5,307,221
-	21,709,168	21,709,168
-	28,037,072	28,037,072
2,282,323	-	2,282,323
4,704	-	4,704
235,875	2,983	238,858
<u>51,437,575</u>	<u>(51,437,575)</u>	<u>-</u>
<u>58,766,333</u>	<u>(1,186,987)</u>	<u>57,579,346</u>
7,949,378	-	7,949,378
2,930,482	-	2,930,482
7,236,152	-	7,236,152
2,449,594	-	2,449,594
10,845,492	-	10,845,492
10,290,067	-	10,290,067
20,062	-	20,062
8,572	-	8,572
237,613	-	237,613
3,217,687	-	3,217,687
889,438	-	889,438
122,742	-	122,742
-	-	-
360,096	-	360,096
702,833	-	702,833
341,935	-	341,935
245,770	-	245,770
131	-	131
2,147,706	-	2,147,706
1,607,962	-	1,607,962
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>51,603,712</u>	<u>-</u>	<u>51,603,712</u>
4,330,703	-	4,330,703
2,581,078	-	2,581,078
<u>1,196,718</u>	<u>-</u>	<u>1,196,718</u>
<u>8,108,499</u>	<u>-</u>	<u>8,108,499</u>
<u>325,200</u>	<u>-</u>	<u>325,200</u>
<u>60,037,411</u>	<u>-</u>	<u>60,037,411</u>
(1,271,078)	(1,186,987)	(2,458,065)
(5,051)	-	(5,051)
323,243	(2,663,599)	(2,340,356)
<u>-</u>	<u>(3,742,126)</u>	<u>(3,742,126)</u>
<u>\$ (952,886)</u>	<u>\$ (7,592,712)</u>	<u>\$ (8,545,598)</u>

See accompanying notes to financial statements.

## ACTION AGAINST HUNGER - USA

STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted						
	<u>Undesignated</u>	<u>Management Designated Program Development</u>	<u>Board Designated Emergency Fund</u>	<u>Total Designated</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>175,000</u>	<u>(175,000)</u>	<u>-</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at December 31, 2015	3,349,506	310,000	450,000	760,000	4,109,506	49,285,614	53,395,120
Changes in net assets	<u>270,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,221</u>	<u>(862,187)</u>	<u>(591,966)</u>
<b>NET ASSETS AT DECEMBER 31, 2016</b>	<b><u>\$ 3,619,727</u></b>	<b><u>\$ 310,000</u></b>	<b><u>\$ 450,000</u></b>	<b><u>\$ 760,000</u></b>	<b><u>\$ 4,379,727</u></b>	<b><u>\$ 48,423,427</u></b>	<b><u>\$ 52,803,154</u></b>

See accompanying notes to financial statements.

**ACTION AGAINST HUNGER - USA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services						
	Democratic Republic of						
	Congo	Kenya	South Sudan	Uganda	Pakistan	Nigeria	Tanzania
	Programs	Programs	Programs	Programs	Programs	Programs	Programs
Personnel:							
US staff	\$ -	\$ -	\$ 13,991	\$ -	\$ 43,896	\$ 139,407	\$ -
Other U.S. payroll	547,398	116,216	1,042,216	344,089	111,844	1,288,373	26,496
Fringe benefits (Note 12)	375,210	53,032	849,551	114,977	175,315	879,470	10,511
National Field Staff	1,884,460	1,188,499	2,028,328	792,756	3,332,733	2,531,119	-
Office running costs and services:							
Insurance	4,283	3,198	-	-	-	-	-
Rent, utilities, and amortization of right-of-use asset (Note 11)	166,943	90,042	687,757	61,033	266,761	268,219	-
Professional fees	38,658	8,858	23,974	13,440	24,243	101,774	10,237
Travel	157,088	13,578	325,468	24,897	71,276	166,436	1,587
Telecommunications	98,889	28,111	137,643	40,211	35,826	164,151	-
Postage and custom fees	7,916	768	5,613	302	5,805	994	-
Finance charges	60,966	3,721	35,234	5,108	41,570	64,244	24
Meeting expenses	-	1,597	401	4,428	6,690	-	-
Human resources	-	-	-	-	-	-	-
Office equipment and supplies:							
Office supplies	134,111	37,239	134,498	56,728	113,109	337,403	-
Depreciation and amortization	34,413	-	-	20,903	-	15,593	-
Equipment rental and maintenance	12,875	245	149	715	2,532	20,594	-
Public awareness expenses:							
Fundraising expense	-	-	-	-	-	-	-
Public information & membership dues	-	-	-	-	-	-	-
Project logistics:							
Vehicles	570,333	240,856	772,466	231,517	527,498	879,966	-
Radios	4,732	-	18,591	-	-	69,150	-
Warehouse	29,818	-	110,853	838	40,119	13,176	-
Electrical systems	22,481	221	189,716	8,533	31,915	165,234	-
Freight	542,426	600	396,656	41,829	57,425	30,865	-
Security	-	-	-	-	3,679	103	-
Project expenses (Note 10):							
Food	425	-	12,318	-	-	497,593	-
Nutrition	839,666	-	1,542,925	45,905	793,130	220,643	-
Health	79,949	-	83,261	41,646	438,958	119,119	-
Food security	-	-	57,131	168,111	39,848	5,329,966	-
Non consumables	377,960	112	177,457	417,234	767,374	1,408,753	-
Watsan	117,857	37,970	575,445	169,044	276,945	864,258	-
Training	343,059	177,210	235,348	461,293	273,952	1,426,215	-
Other	15,086	9,985	62,527	40,207	7,306	23,319	-
Subcontracts:							
Subcontracts to Partners	485,272	5,330	5,556	7,821	13,966	47,695	-
<b>TOTAL</b>	<b>\$ 6,952,274</b>	<b>\$ 2,017,388</b>	<b>\$ 9,525,073</b>	<b>\$ 3,113,565</b>	<b>\$ 7,503,715</b>	<b>\$ 17,073,832</b>	<b>\$ 48,855</b>

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
\$ 68,980	\$ 694,700	\$ -	\$ 960,974	\$ 2,220,421	\$ 1,188,941	\$ 500,808	\$ 3,910,170	\$ -	\$ 4,871,144
27,764	241,858	-	3,746,254	280,950	198,601	160,681	640,232	-	4,386,486
106,518	165,149	-	2,729,733	614,010	296,205	124,768	1,034,983	-	3,764,716
249,759	-	-	12,007,654	266,045	-	-	266,045	-	12,273,699
242	-	-	7,723	783	31,864	-	32,647	-	40,370
25,948	-	-	1,566,703	52,194	645,751	-	697,945	-	2,264,648
1,383	2,650	-	225,217	44,258	103,184	71,228	218,670	-	443,887
15,286	166,280	-	941,896	241,773	53,862	15,835	311,470	-	1,253,366
5,704	533	-	511,068	17,174	44,967	-	62,141	-	573,209
36	150	-	21,584	613	3,601	106,738	110,952	-	132,536
1,332	90	-	212,289	1,136	42,707	51,479	95,322	-	307,611
103	54,362	-	67,581	52,597	16,849	1,284	70,730	-	138,311
-	113	-	113	6,799	9,406	38	16,243	-	16,356
22,460	26,143	-	861,691	102,906	75,435	8,282	186,623	-	1,048,314
-	-	-	70,909	21,247	210,486	-	231,733	-	302,642
296	156	-	37,562	297	-	-	297	-	37,859
-	2,697	-	2,697	9,485	-	543,063	552,548	312,477	867,722
-	-	-	-	-	160,146	-	160,146	-	160,146
24,229	-	-	3,246,865	7,221	-	-	7,221	-	3,254,086
-	328	-	92,801	-	-	-	-	-	92,801
-	-	-	194,804	-	-	-	-	-	194,804
203	-	-	418,303	961	-	-	961	-	419,264
1,925	-	-	1,071,726	-	-	-	-	-	1,071,726
-	-	-	3,782	-	-	-	-	-	3,782
-	-	-	510,336	-	-	-	-	-	510,336
6,566	-	-	3,448,835	-	-	-	-	-	3,448,835
-	-	-	762,933	-	-	-	-	-	762,933
26,202	-	-	5,621,258	-	-	-	-	-	5,621,258
652	-	-	3,149,542	-	-	-	-	-	3,149,542
4,364	-	-	2,045,883	35	-	-	35	-	2,045,918
74,686	2,655	-	2,994,418	1,313	-	-	1,313	-	2,995,731
2,191	-	-	160,621	-	-	-	-	-	160,621
-	3,260,749	5,398,118	9,224,507	41,873	(522)	-	41,351	-	9,265,858
<b>\$ 666,829</b>	<b>\$ 4,618,613</b>	<b>\$ 5,398,118</b>	<b>\$ 56,918,262</b>	<b>\$ 3,984,091</b>	<b>\$ 3,081,483</b>	<b>\$ 1,584,204</b>	<b>\$ 8,649,778</b>	<b>\$ 312,477</b>	<b>\$ 65,880,517</b>

**ACTION AGAINST HUNGER - USA**

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

**Program Services**

	<b>Democratic Republic of</b>							
	<b>Congo</b>	<b>Kenya</b>	<b>South Sudan</b>	<b>Uganda</b>	<b>Pakistan</b>	<b>Nigeria</b>	<b>Tanzania</b>	<b>Burundi</b>
	<b>Programs</b>	<b>Programs</b>	<b>Programs</b>	<b>Programs</b>	<b>Programs</b>	<b>Programs</b>	<b>Programs</b>	<b>Programs</b>
<b>Personnel:</b>								
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	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
<b>Office running costs and services:</b>								
Insurance	4,242	4,958	-	-	-	-	-	-
Rent and utilities	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	-	-	-	-	-	-	-	-
<b>Office equipment and supplies:</b>								
Office supplies	137,631	28,229	121,067	32,043	103,688	252,889	-	79
Depreciation and amortization	-	-	-	31,354	-	-	-	-
Equipment rental and maintenanc	5,588	262	11,511	1,242	5,467	2,910	-	-
<b>Public awareness expenses:</b>								
Fundraising expense	-	-	-	-	-	-	-	-
Public information and membership dues	-	-	-	-	-	-	-	-
<b>Project logistics:</b>								
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	-	-	-	-	-
<b>Project expenses:</b>								
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	-	-
<b>Subcontracts:</b>								
Subcontracts to Partners	28,821	8,651	5,261	6,103	35,530	91,166	-	-
<b>TOTAL</b>	<b>\$ 7,949,378</b>	<b>\$ 2,930,482</b>	<b>\$ 7,236,152</b>	<b>\$ 2,449,594</b>	<b>\$ 10,845,492</b>	<b>\$ 10,290,067</b>	<b>\$ 20,062</b>	<b>\$ 8,572</b>

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	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
<b>\$ 237,613</b>	<b>\$ 3,217,687</b>	<b>\$ 6,418,613</b>	<b>\$ 51,603,712</b>	<b>\$ 4,330,703</b>	<b>\$ 2,581,078</b>	<b>\$ 1,196,718</b>	<b>\$ 8,108,499</b>	<b>\$ 325,200</b>	<b>\$ 60,037,411</b>

**ACTION AGAINST HUNGER - USA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (591,966)	\$ (8,545,598)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	302,642	164,879
Amortization of right-of-use asset	697,100	290,458
Amortization of deferred rent (landlord construction)	(68,130)	(28,387)
Loss on disposal of fixed assets	6,782	-
(Increase) decrease in:		
Grants receivable	(384,396)	7,306,293
Travel advances and other receivables	60,941	(344,047)
Program advances to network	589,482	(556,312)
Prepaid expenses	108,000	(149,270)
Deposits	(2,250)	62,381
Increase (decrease) in:		
Accounts payable and accrued expenses	476,866	(861,446)
Provision for unanticipated loss	(95,969)	(117,358)
Due to Network	(847,034)	1,092,318
Operating lease obligation	(551,997)	-
Net cash used by operating activities	<u>(299,929)</u>	<u>(1,686,089)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, equipment, vehicles and leasehold improvements	<u>(221,411)</u>	<u>(539,450)</u>
Net cash used by investing activities	<u>(221,411)</u>	<u>(539,450)</u>
Net decrease in cash and cash equivalents	(521,340)	(2,225,539)
Cash and cash equivalents at beginning of year	<u>7,017,491</u>	<u>9,243,030</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 6,496,151</u></b>	<b><u>\$ 7,017,491</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Leasehold Improvements Funded by Landlord	<u>\$ -</u>	<u>\$ 1,050,330</u>
Right-of-Use Asset in Exchange for Lease Liability	<u>\$ -</u>	<u>\$ 10,746,950</u>

## ACTION AGAINST HUNGER - USA

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 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 to five years.

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.

Management reviews asset carrying amounts of these assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statements of Activities and Changes in Net Assets, to its current fair value.



## ACTION AGAINST HUNGER - USA

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 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, 2016 and 2015, 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 and Changes in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Action Against Hunger - USA receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are initially recognized as temporarily restricted income and then released to unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

## ACTION AGAINST HUNGER - USA

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### 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 and Changes in Net Assets.

##### 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 2016 and 2015, 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.

##### New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

New accounting pronouncement (continued) -

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Action Against Hunger - USA's financial statements, it is not expected to alter Action Against Hunger - USA's reported financial position.

**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 \$522,657 and \$566,035 of cash and cash equivalents held in foreign countries at December 31, 2016 and 2015, respectively. The majority of these funds are uninsured.

**3. GRANTS RECEIVABLE**

Grants receivable consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
European Community Humanitarian Organization	\$ 4,058,276	\$ 5,322,439
European Union	1,441,580	4,187,059
U.S. Agency for International Development	16,924,114	18,222,297
U.S. State Department	1,231,336	1,360,000
UNICEF	2,397,810	1,449,823
World Food Program	1,622,610	482,873
Other United Nations Agencies	229,130	463,012
DFID/Overseas Development	13,778,860	13,371,534
CIDA/DFATD	2,857,504	937,714
Swiss Government	286,481	166,850
NGOs	77,720	266,864
Foundations	1,470,959	1,159,815
The Swedish Cooperation	409,658	-
Norwegian Government	-	398,504
FAO	320,724	-
MAEE / CDC (Centre de Crise)	210,746	-
GIZ / German Embassy	635,736	-
Island of Guernsey	22,394	-
Save the Children	92,285	111,194
Other partner organizations	245,311	28,860
<b>GRANTS RECEIVABLE</b>	<b><u>\$ 48,313,234</u></b>	<b><u>\$ 47,928,838</u></b>

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015, Action Against Hunger - USA owed the network \$1,939,662 and \$2,786,696, respectively. At December 31, 2016 and 2015, Action Against Hunger - USA advanced funds to the network for sub-contracted programs in the amounts of \$775,491 and \$1,364,973, respectively.

**5. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS**

Furniture, equipment, vehicles and leasehold improvements consisted of the following at December 31, 2016 and 2015.

	<b>2016</b>	<b>2015</b>
Furniture	\$ 281,440	\$ 281,440
Equipment	751,344	714,285
Vehicles	910,376	773,412
Leasehold improvements - other	292,481	292,481
Landlord construction	1,050,330	1,050,330
	3,285,971	3,111,948
Less: Accumulated depreciation and amortization	(1,709,351)	(1,447,315)
<b>FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET</b>	<b>\$ 1,576,620</b>	<b>\$ 1,664,633</b>

Depreciation and amortization expense totaled \$302,642 and \$164,879, for the years ended December 31, 2016 and 2015, respectively.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Canada Programs:		
U.S. Agency for International Development (OFDA)	\$ 294,594	\$ 386,736
Mali Programs:		
U.S. Agency for International Development (OFDA)	-	984,385
Niger Programs:		
U.S. Department of State	-	645,276
U.S. Agency for International Development (OFDA)	-	906,658
Mauritania Programs:		
U.S. Agency for International Development (OFDA)	658,274	1,155,757

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**6. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

	<u>2016</u>	<u>2015</u>
Senegal Programs:		
U.S. Agency for International Development (OFDA)	\$ -	\$ 373,855
Syria Programs		
U.S. Agency for International Development (OFDA)	-	519,597
Cambodia Programs:		
GIZ / German Embassy	86,280	-
World Food Program	7	-
Corporations Restricted	-	539,981
Kenya Programs:		
U.S. Agency for International Development (OFDA)	-	2,963
UNICEF	304,784	1,068,479
European Community Humanitarian Organization	148,446	23,598
European Union	476,678	837,488
Canadian Government	2,730,181	-
Foundations	573,250	163,594
Uganda Programs:		
World Food Program	261,570	3,682
U.S. Department of State (BPRM)	649,146	435,351
Royal Norwegian Embassy	-	431,833
Swedish Cooperation	135,276	198,597
Pakistan Programs:		
Royal Norwegian Embassy	-	1,121,098
European Community Humanitarian Organization	31,098	963,228
European Union	915,691	3,975,644
UNICEF	1,938,509	-
Other NGOs	155,979	440,538
Corporations/Restricted	14,897	150,000
DFID/Overseas Development	91,605	166,794
Swedish Cooperation	244,939	677,449
Foundations	88,074	267,172
South Sudan Programs:		
European Community Humanitarian Organization	440,318	396,491
U.S. Agency for International Development (OFDA)	1,434,324	2,784,400
U.S. Agency for International Development (FFP)	-	208,157
UNICEF	16,689	-
United Nations	287,784	396,041
FAO	216,927	-
GIZ / German Embassy	192,106	-
Foundations	(162,023)	-
Democratic Republic of Congo Programs:		
European Community Humanitarian Organization	3,353,587	96,219
UNICEF	125,977	287,002
Canadian Government	459,163	-

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**6. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

	<u>2016</u>	<u>2015</u>
Democratic Republic of Congo Programs (continued):		
DFID/Overseas Development	\$ 2,234,485	\$ 2,397,759
Swedish Cooperation	190,979	207,505
Swiss Government	406,896	-
Nigeria Programs:		
European Community Humanitarian Organization	889,011	1,001,226
U.S. Agency for International Development (OFDA)	2,685,912	2,298,371
U.S. Agency for International Development (FFP)	8,219,774	4,002,432
DFID/Overseas Development	10,230,189	8,940,675
Canadian Government	704,255	685,183
Swiss Government	270,304	313,972
Foundations	57,420	99,208
French Embassy / Food AID (ex-CIAA)	22,966	-
MAEE / CDC (Centre de Crise)	210,746	-
Island of Guernsey	23,861	-
Swedish Cooperation	515,311	-
Private Donations / Restricted	41,197	-
UNICEF	10,366	-
Sierra Leone Programs:		
Foundations	49,668	297,902
Other Strategic Programs:		
European Community Humanitarian Organization	137,334	293,462
U.S. Agency for International Development (OFDA)	1,894,942	1,825,204
U.S. Agency for International Development (FFP)	1,595,301	1,903,547
DFID (Refani)	560,583	2,117,173
Canadian Government	-	844,681
Save the Children	113,850	230,042
IRC (OFDA)	277,091	307,445
Corporations Restricted	50,000	50,000
Foundations Restricted	<u>866,856</u>	<u>861,764</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 48,423,427</u></b>	<b><u>\$ 49,285,614</u></b>

**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 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<b>U.S. Government Grants:</b>		
U.S. Agency for International Development (OFDA/FFP):		
South Sudan	\$ 2,442,720	\$ 3,010,741
Niger	-	1,222,000
Mali	-	1,236,959
Senegal	315,000	499,995

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. GRANTS (Continued)**

	<b>2016</b>	<b>2015</b>
<b>U.S. Government Grants (continued):</b>		
U.S. Agency for International Development (OFDA/FFP):		
Canada Programs	\$ 300,695	\$ 450,000
US Strategic Programs	1,969,812	3,158,382
Mauritania	885,616	2,147,431
Syria	-	1,433,660
Nigeria	13,800,000	7,100,000
U.S. Department of State (BPRM):		
Niger	-	700,000
Uganda	<u>1,000,000</u>	<u>750,000</u>
<b>TOTAL U.S. GOVERNMENT GRANTS</b>	<b><u>\$ 20,713,843</u></b>	<b><u>\$ 21,709,168</u></b>
<b>Non-U.S. Government Grants:</b>		
South Sudan Programs:		
European Community Humanitarian Organization	\$ 900,218	\$ 1,469,750
United Nations	1,204,648	1,357,518
UNICEF	149,973	
World Food Program	790,764	-
Foundations (Start Fund)	-	446
FAO	433,000	-
GIZ / German Embassy	533,378	-
Uganda Programs:		
World Food Program	1,611,731	589,611
Royal Norwegian Embassy	-	463,898
Swedish Government	-	422,036
Swedish Cooperation	716,970	-
Other NGOs	75,161	-
Democratic Republic of Congo Programs:		
UNICEF	221,230	831,470
European Community Humanitarian Organization	4,468,260	704,470
DFID/Overseas Development	3,264,370	3,115,881
Canadian Government	1,180,150	-
Swedish Cooperation	1,060,911	1,055,090
Swiss Government	618,450	97,681
Kenya Programs:		
European Community Humanitarian Organization	496,428	567,500
European Union	18,183	1,075,534
UNICEF	(56,330)	1,476,134
World Food Program	63,891	54,173
Canadian Government	2,971,757	-
Other NGOs	71,902	-
Foundations	600,000	-
Charity Water	-	180,000
Swedish Cooperation	-	231,175

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. GRANTS (Continued)**

	<b>2016</b>	<b>2015</b>
<b>Non-U.S. Government Grants (continued):</b>		
Pakistan Programs		
European Community Humanitarian Organization	\$ -	\$ 2,107,575
European Union	11,418	35,405
Norwegian Government	(58,855)	-
Corporations (P&G)	-	150,000
World Food Program	5,589	52,583
DFID/Overseas Development	104,875	26,437
Swedish Cooperation	589,395	1,312,671
Foundations - (Proctor and Gamble, Innocent)	-	11,581
UNICEF	2,310,388	-
Other NGOs	25,779	466,723
Nigeria Programs:		
Foundations (CIFF)	-	100,000
European Community Humanitarian Organization	2,764,163	2,408,632
DFID/Overseas Development	6,782,445	1,640,608
United Nations	-	350,000
French Government	-	485,055
Canadian Government	1,180,150	1,110,695
Swiss Government	400,000	327,045
UNICEF	16,641	-
World Food Program	123,900	-
Swedish Cooperation	1,176,698	-
Foundations	250,000	-
French Embassy / Food Aid (Ex-CIAA)	395,885	-
MAEE/CDC (Centre de Crise)	220,520	-
Island of Guernsey	23,861	-
Private Donations/Restricted	41,971	-
Sierra Leone Programs:		
Foundations	100,000	300,000
Cambodia Programs:		
World Food Program	19,404	-
Corporations Restricted	142,037	650,000
Nepal Programs:		
Foundations (Charity Water)	-	350,000
Strategic Programs:		
European Community Humanitarian Organization	1,543	357,883
Foundations	10,208	861,765
DFID (Refani)	10,341	50,881
Save the Children	-	229,943
Canadian Government (Calp Project)	-	959,223
<b>TOTAL NON-U.S. GOVERNMENT GRANTS</b>	<b>\$ 38,043,401</b>	<b>\$ 28,037,072</b>



**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Democratic Republic of Congo Programs:	\$ 7,020,878	\$ 7,843,830
Kenya Programs	1,956,252	2,828,947
South Sudan Programs	7,653,336	6,481,815
Uganda Programs	3,230,436	2,323,263
Pakistan Programs	7,117,321	11,129,148
Nigeria Programs	18,427,623	10,670,716
Cambodia Programs	572,157	117,087
Other Strategic Programs	4,943,063	3,391,225
 Programs Sub-contracted to Network:		
Syria Programs	532,989	914,063
Senegal Programs	703,244	126,140
Haiti Programs	50,500	-
Niger Programs	1,565,680	370,066
Nepal Programs	1,510	776,212
Philippines Programs	-	374,413
Mali Programs	990,389	252,574
Mauritania Programs	1,383,099	2,207,167
Sierra Leone Programs	348,234	1,630,909
Madagascar Programs	600	-
Ethiopia Programs	1,000	-
Iraq Programs	600	-
Yemen Programs	101	-
<b>TOTAL EXPENSES</b>	<b>\$ 56,499,012</b>	<b>\$ 51,437,575</b>

**9. DESIGNATED NET ASSETS**

At December 31, 2016 and 2015, 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, 2016 and 2015 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, 2016 and 2015 totaled \$310,000 and \$310,000, respectively.

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**10. IN-KIND CONTRIBUTIONS**

In-kind contributions consisted of the following at December 31, 2016 and 2015.

	<b>2016</b>	<b>2015</b>
Project expenses (food, transportation and medical supplies)	\$ 2,745,847	\$ 1,941,913
Public Information Campaign (online ads)	312,477	325,200
Fundraising expenses (professional services)	8,975	15,210
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b>\$ 3,067,299</b>	<b>\$ 2,282,323</b>

**11. LEASE COMMITMENTS**

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 requires 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, \$435,561 and \$290,458 of amortization of the right-of-use asset incurred during 2016 and 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, 2016 and 2015 was \$624,648 and \$536,379, 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. These costs are shown as leasehold improvements in Note 5 and are included in Furniture, equipment, vehicles and leasehold improvements, net, in the accompanying Statements of Financial Position. The construction costs are being amortized over the life of the lease agreement.

As of December 31, 2016 and 2015, the right-of-use asset's value (\$10,194,953 and \$10,746,950, respectively) and the net value of the lease incentive (\$953,813 and \$1,021,943, respectively) are shown as liabilities in the accompanying Statements of Financial Position. The right-of-use asset's measurement value 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 the years ended December 31, 2016 and 2015, lease incentive liability was reduced by amortization of \$68,130 and \$28,387, respectively.

The right-of-use asset at December 31, 2016 and 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:

	<b>2016</b>	<b>2015</b>
<b>Right of Use Asset:</b>		
Initial measurement of lease	\$ 10,746,950	\$ 10,746,950
Accumulated amortization of right-of-use asset	(987,558)	(290,458)
Balance of right-of-use-asset, net (Exhibit A)	9,759,392	10,456,492

**ACTION AGAINST HUNGER - USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**11. LEASE COMMITMENTS (Continued)**

	<b>2016</b>	<b>2015</b>
<b>Lease Incentive Asset:</b>		
Landlord construction	\$ 1,050,330	\$ 1,050,330
Accumulated amortization	(96,517)	(28,387)
Balance of lease incentive asset, net (included in Note 5)	953,813	1,021,943
<b>TOTAL OPERATING LEASE OBLIGATION</b>	<b>\$ 10,713,205</b>	<b>\$ 11,478,435</b>

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

**Year Ending December 31,**

2017	\$ 563,037
2018	574,298
2019	648,348
2020	660,063
2021	672,535
Thereafter	7,076,672
	<b>\$ 10,194,953</b>

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, 2016, total contributions to the plan were \$161,604. There were no contributions for the year ended December 31, 2015.

**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, 2016 and 2015. There was no outstanding balance on the line of credit at December 31, 2016 and 2015. The line of credit is collateralized by grants receivable of Action Against Hunger - USA that are less than 90 days aged. The line of credit has been renewed through June 30, 2016.

## ACTION AGAINST HUNGER - USA

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 13. LINES OF CREDIT (Continued)

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, 2016 and 2015.

#### 14. CONTINGENCIES

U.S. Government awards -

Action Against Hunger - USA receives grants from various agencies of the United States Government. 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 2016. 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 organizations 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 and changes in the political climate.

As of December 31, 2016 and 2015, Action Against Hunger - USA had cash, property, and equipment and receivables in various countries in Africa and Asia, totaling approximately \$3,800,000 and \$2,000,000, which represents approximately 5.55% and 2.85% of Action Against Hunger - USA's total assets as of December 31, 2016 and 2015, respectively.

#### 15. SUBSEQUENT EVENTS

In preparing these financial statements, Action Against Hunger - USA has evaluated events and transactions for potential recognition or disclosure through September 29, 2017, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

## ACTION AGAINST HUNGER - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Granting Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>United States Agency for International Development:</b>					
Agency for International Development - Office of Foreign Disaster Assistance	Improving Nutrition Program Coverage by Supporting the Identification and Responses to Barriers to Access	98.001	AID-OFDA-G-14-00099	\$ 276,240	\$ 289,075
Agency for International Development - Office of Foreign Disaster Assistance	Improved Knowledge, Information Sharing and Cooperation in West Africa to Implement Cash Transfer Programming in Emergencies and How Emergency CPT Can Better Link with Social Protection System Phase 3	98.001	AID-OFDA-G-14-00168	362,299	397,115
Agency for International Development - Office of Foreign Disaster Assistance - passed through International Medical Corps	Technical Surge Advisor - Assessment	98.001	AID-OFDA-15-00208	-	104,140
Agency for International Development - Office of Foreign Disaster Assistance	Humanitarian Nutrition Professional Development Initiative: Building a new Generation of Humanitarians	98.001	AID-OFDA-G-15-00217	-	395,328
Agency for International Development - Office of Foreign Disaster Assistance - passed through International Rescue Committee	Improving the Treatment of Moderate Acute Malnutrition:Developing and Piloting a New Protocol	98.001	AID-OFDA-14-00208	-	107,938
Agency for International Development - Office of Foreign Disaster Assistance	Improving the Global Inter-agency Emergency Response Capacity for Nutrition Surveys through SMART	98.001	AID-OFDA-G-13-00170	373,888	392,837
Agency for International Development - Office of Foreign Disaster Assistance	Food Security and Sustainable Livelihoods Recovery Project for Very Vulnerable Conflict and Drought Affected Populations of Timbuktu Region, in North Mali	98.001	AID-OFDA-G-15-00270	964,125	984,385
Agency for International Development - Office of Food for Peace	Emergency Food Security Program in Mauritania	98.001	AID-FFP-G-14-00034	253,557	265,155
Agency for International Development - Office of Foreign Disaster Assistance	Improvement of the Nutritional Status of the Population in the Region of Guidimakha in Mauritania	98.001	AID-OFDA-G-15-00213	1,090,184	1,117,944
Agency for International Development - Office of Foreign Disaster Assistance	Ensuring Food Security and the Recovery of Livelihoods for Vulnerable Displaced and Host Populations in the Diffa Region, Niger	98.001	AID-OFDA-G-15-00193	881,892	906,658

ACTION AGAINST HUNGER - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Granting Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>United States Agency for International Development (Continued):</b>					
Agency for International Development - Office of Foreign Disaster Assistance	Emergency Food Security and Wash Support to Vulnerable Households in Conflict-Affected Areas in Syria	98.001	AID-OFDA-A-15-00020	\$ 514,998	\$ 519,597
Agency for International Development - Office of Food for Peace	Building Knowledge, Capacity and Skills in Cash Transfer Programming in the United States Humanitarian Sector	98.001	AID-FFP-G-15-00052	354,063	845,672
Agency for International Development - Office of Foreign Disaster Assistance	Improving Quality of Treatment of Severe and Global Acute Malnutrition in the Region of St. Louis, Department of Podor, Republic of Senegal	98.001	AID-OFDA-G-15-00205	679,483	688,855
Agency for International Development - Office of Foreign Disaster Assistance	Inspiring Healthy Communities: Integrating Health, Water Supply, and Market Interventions to Build Resilience	98.001	AID-OFDA-A-14-00020	-	1,869,622
Agency for International Development - Office of Foreign Disaster Assistance	Multi-Sectoral Emergency Team (MET): An Integrated Response in the Conflict-Affected States of South Sudan	98.001	AID-OFDA-G-15-00087	-	914,779
Agency for International Development - Office of Food for Peace	ACF Emergency Nutrition Supplies Plan II (ACF ENSP II)	98.001	AID-FFP-G-15-00083	-	208,157
Agency for International Development - Office of Foreign Disaster Assistance	Humanitarian Multi-Sectorial Rapid Response Mechanism, Yobe State, Nigeria	98.001	AID-OFDA-G-14-00128	-	2,612,459
Agency for International Development - Office of Food for Peace	Improving Food Access and Nutrition for Vulnerable Displaced and Host Populations in Yobe State (Damaturu, Potiskum & Fune) in North-Eastern Nigeria	98.001	AID-FFP-G-15-00005	-	251,047
Agency for International Development - Office of Food for Peace	Protecting and Promoting Food and Nutrition Security in IDPs of Borno State in North-Eastern Nigeria	98.001	AID-FFP-G-15-00076	-	3,751,385
Agency for International Development - Office of Foreign Disaster Assistance	Surveillance and Evaluation Team (SET) and Multi-Sectoral Emergency Team (MET): An Integrated Emergency Response in the Conflict-Affected States of South Sudan	98.001	AID-OFDA-G-16-00271	-	788,093
Agency for International Development - Office of Food for Peace	Documentations and Learnings from Ebola Crisis CTP Based Response in Liberia and Sierra Leone	98.001	AID-FFP-G-16-00054	173,611	176,991

ACTION AGAINST HUNGER - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Granting Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>United States Agency for International Development (Continued):</b>					
Agency for International Development - Office of Food for Peace	Protecting and Promoting Food and Nutrition Security in Yobe State, Phase II, in North-Eastern Nigeria	98.001	AID-FFP-G-16-00053	\$ -	\$ 1,763,904
Agency for International Development - Office of Food for Peace	Protecting and Promoting the Food and Nutrition Security of Vulnerable Persons in Borno State, Phase II, Northeastern Nigeria	98.001	AID-FFP-G-16-0000122	-	816,322
Agency for International Development - Office of Foreign Disaster Assistance - passed through The International Organization for Migration	Reducing the Spread of Cholera through Rapid WASH Interventions in Fangak County (Jonglei State) of the Republic of South Sudan	98.001	RRF 0120	-	131,535
<b>Total 98.001 USAID Foreign Assistance for Programs Overseas</b>				<b><u>5,924,340</u></b>	<b><u>20,298,993</u></b>
<b>Department of State Bureau of Population, Refugees and Migration:</b>					
United States Department of State Bureau of Population, Refugees and Migration	Responding to the WASH Needs of Crisis Affected Populations in the Region of Diffa, Niger	19.517	S-PRMCO-15-CA-1092	619,114	645,276
United States Department of State Bureau of Population, Refugees and Migration	Humanitarian Response to Promote Health and Nutrition among the South Sudanese Refugees and Host Community in Uganda	19.517	S-PRMCO-15-CA-1071	-	324,504
United States Department of State Bureau of Population, Refugees and Migration	Integrated Preventative Health Care and Nutrition Response to South Sudanese Refugees in Kiryandongo and Adjumani Settlements of Uganda	19.517	S-PRMCO-16-CA-1080	-	350,853
<b>Total 19.517 USDOS Overseas Refugee Assistance Programs for Africa</b>				<b><u>619,114</u></b>	<b><u>1,320,633</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 6,543,454</u></b>	<b><u>\$ 21,619,626</u></b>



ACTION AGAINST HUNGER - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Action Against Hunger - USA under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Action Against Hunger - USA, it is not intended to and does not present the financial position, changes in net assets or cash flows of Action Against Hunger - USA.

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

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

**ACTION AGAINST HUNGER - USA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Section I - Summary of Auditor's Results**

**Financial Statements**

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

2). Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

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

**Federal Awards**

4). Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

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

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

7). Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
98.001	USAID - Foreign Assistance for Programs Overseas

8). Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

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

**ACTION AGAINST HUNGER - USA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Section II - Financial Statement Findings**

There were no reportable findings.

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

There were no reportable findings.

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

**Independent Auditor's Report**

To the Board of Directors  
Action Against Hunger - USA  
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Action Against Hunger - USA as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Action Against Hunger - USA's basic financial statements, and have issued our report thereon dated September 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

September 29, 2017



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

### Independent Auditor's Report

To the Board of Directors  
Action Against Hunger - USA  
Washington, D.C.

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

We have audited Action Against Hunger - USA's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Action Against Hunger - USA's major federal programs for the year ended December 31, 2016. Action Against Hunger - USA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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## Opinion on Each Major Federal Program

In our opinion, Action Against Hunger - USA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

## Report on Internal Control Over Compliance

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

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

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

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



September 29, 2017



# **ACTION AGAINST HUNGER - USA**

**INDIRECT RATE CALCULATION**

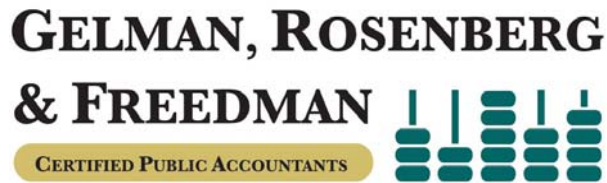
**FOR THE YEAR ENDED DECEMBER 31, 2016**



**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

### Report on Statement of Indirect Rate Calculation

We have audited the accompanying statement of indirect rate calculation of Action Against Hunger- USA for the year ended December 31, 2016.

#### Management's Responsibility

Management is responsible for the preparation and fair presentation of the statement of indirect rate calculation 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 the statement of indirect rate calculation that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the statement of indirect rate calculation 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of indirect rate calculation is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of indirect rate calculation. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of indirect rate calculation, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Action Against Hunger - USA's preparation and fair presentation of the statements of statement of indirect rate calculation 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 Action Against Hunger - USA'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 statement of indirect rate calculation. 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 statement of indirect rate calculation referred to above present fairly, in all material respects, the indirect rate of Action Against Hunger - USA as of December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

September 29, 2017

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## ACTION AGAINST HUNGER - USA

STATEMENT OF INDIRECT RATE CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

EXPENSES PER AUDITED FINANCIAL STATEMENTS	Indirect		Total
	Program Support	Management and General	
Personnel:			
US staff	\$ 2,220,421	\$ 1,188,941	\$ 3,409,362
Other U.S. payroll	280,950	198,601	479,551
Fringe benefits (Note 12)	614,010	296,205	910,215
National Field Staff	266,045	-	266,045
Office running costs and services:			
Insurance	783	31,864	32,647
Rent, utilities, and amortization of right-of use asset	52,194	645,751	697,945
Professional fees	44,258	103,184	147,442
Travel	241,773	53,862	295,635
Telecommunications	17,174	44,967	62,141
Postage and custom fees	613	3,601	4,214
Finance charges	1,136	42,707	43,843
Meeting expenses	52,597	16,849	69,446
Human resources	6,799	9,406	16,205
Office equipment and supplies:			
Office supplies	102,906	75,435	178,341
Depreciation and amortization	21,247	210,486	231,733
Equipment rental and maintenance	297	-	297
Public information expenses:			
Fundraising expense	9,485	-	9,485
Public information and membership dues	-	160,146	160,146
Project logistics:			
Vehicles	7,221	-	7,221
Electrical systems	961	-	961
Project expenses:			
Watsan	35	-	35
Training	1,313	-	1,313
Sub-contracts:			
Subcontracts to Partners	41,873	(522)	41,351
Subtotal	<u>\$ 3,984,091</u>	<u>\$ 3,081,483</u>	7,065,574
Adjustments and reclassifications:			
Logistics office (Nairobi) fringe expense			(44,885)
<b>TOTAL ALLOWABLE INDIRECT EXPENSES</b>			<u><b>\$ 7,020,689</b></u>

ACTION AGAINST HUNGER - USA

STATEMENT OF INDIRECT RATE CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

**DIRECT EXPENSES PER AUDITED FINANCIAL STATEMENTS**

Program Services:	
Democratic Republic of Congo Programs	\$ 6,952,274
Kenya Programs	2,017,388
South Sudan Programs	9,525,073
Uganda Programs	3,113,565
Pakistan Programs	7,503,715
Nigeria Programs	17,073,832
Tanzania Programs	48,855
Cambodia Programs	666,829
Other Field Strategic Programs	4,618,613
Syria Programs	517,451
Senegal Programs	679,483
Haiti Programs	45,450
Niger Programs	1,501,006
Nepal Programs	1,439
Mali Programs	964,125
Mauritania Programs	1,343,741
Sierra Leone Programs	343,352
Madagascar Programs	540
Ethiopia Programs	900
Iraq Programs	540
Yemen Programs	91
Fundraising	1,584,204
Public Information Campaign	<u>312,477</u>
Subtotal	58,814,943
Adjustments and reclassifications:	
Logistics office (Nairobi) fringe expense	44,885
Pass-through expenses (Note 3)	(5,398,118)
Grant expenses (Note 2)	(2,450,178)
In-kind expenses	<u>(3,067,299)</u>
<b>TOTAL ALLOWABLE DIRECT EXPENSES</b>	<b><u><u>\$47,944,233</u></u></b>

**INDIRECT RATE CALCULATION**

<u>Total Allowable Indirect Expenses</u>	=	<u>\$ 7,020,689</u>	x 100	=	<u><u>14.64%</u></u>
Total Allowable Direct Expenses	=	\$47,944,233	x 100	=	<u><u>14.64%</u></u>

## **ACTION AGAINST HUNGER - USA**

### **NOTES TO STATEMENT OF INDIRECT RATE CALCULATION DECEMBER 31, 2016**

#### **1. BASIS OF PRESENTATION**

The accompanying Statement of Indirect Rate Calculation has been prepared in accordance with accounting principles generally accepted in the United States of America, and the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

#### **2. GRANT EXPENSES**

During 2016, Action Against Hunger - USA received several grant awards directly in the field. The grant awards provided no indirect funding and were not managed by the headquarters office in New York. Accordingly, the costs associated with the aforementioned grant awards have been excluded from the accompanying Statement of Indirect Rate Calculation.

#### **3. PASS-THROUGH EXPENSES**

During 2016, Action Against Hunger - USA received several restricted awards for programs (Syria, Senegal, Haiti, Niger, Nepal, Philippines, Mali, Mauritania, Sierra Leone, Madagascar, Ethiopia, Iraq, and Yemen) which were sub-granted and managed by other headquarters offices of the Network. Accordingly, the costs associated with the aforementioned awards have been excluded from the accompanying Statement of Indirect Rate Calculation.