

FINANCIAL STATEMENTS



ACTION AGAINST HUNGER - USA

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

ACTION AGAINST HUNGER - USA

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Action Against Hunger - USA, which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2018 and 2017, 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

December 27, 2019

ACTION AGAINST HUNGER - USA

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents (Note 2):		
Headquarters	\$ 9,504,402	\$ 13,738,416
Field offices	<u>4,288,989</u>	<u>2,723,194</u>
Total cash and cash equivalents	13,793,391	16,461,610
Grants receivable (Note 3)	91,269,514	73,644,893
Travel advances and other receivables	3,132,837	3,129,551
Prepaid expenses and other assets	198,060	169,490
Furniture, equipment, vehicles and leasehold improvements, net (Note 5)	1,193,750	1,388,051
Right-of-use asset, net (Note 12)	<u>8,365,194</u>	<u>9,062,293</u>
TOTAL ASSETS	<u>\$ 117,952,746</u>	<u>\$ 103,855,888</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 3,602,498	\$ 4,619,576
Provision for unanticipated loss	4,383,000	883,100
Due to Network (Note 4)	3,518,475	8,956,120
Operating lease obligation (Note 12)	9,057,619	9,631,916
Deferred rent (landlord construction), net (Note 12)	<u>817,554</u>	<u>885,683</u>
Total liabilities	<u>21,379,146</u>	<u>24,976,395</u>

NET ASSETS

Undesignated	2,793,561	9,351,139
Designated (Note 9)	<u>760,000</u>	<u>760,000</u>
Total net assets without donor restrictions	3,553,561	10,111,139
With donor restrictions (Note 6)	<u>93,020,039</u>	<u>68,768,354</u>
Total net assets	<u>96,573,600</u>	<u>78,879,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 117,952,746</u>	<u>\$ 103,855,888</u>

ACTION AGAINST HUNGER - USA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 6,525,077	\$ 20,000	\$ 6,545,077
Special events, net	1,285,797	-	1,285,797
Grants (Notes 7 and 16):			
U.S. Government	-	60,157,400	60,157,400
Non-U.S. Government	-	70,191,315	70,191,315
In-kind contributions (Note 11)	8,159,216	-	8,159,216
Other revenue	(117,435)	-	(117,435)
Net assets released from donor restrictions (Note 8)	<u>99,851,644</u>	<u>(99,851,644)</u>	<u>-</u>
Total revenue	<u>115,704,299</u>	<u>30,517,071</u>	<u>146,221,370</u>
EXPENSES			
Program Services:			
Democratic Republic of Congo Programs	(22,423)	-	(22,423)
Kenya Programs	4,243,543	-	4,243,543
South Sudan Programs	12,574,538	-	12,574,538
Uganda Programs	6,894,398	-	6,894,398
Pakistan Programs	1,634,869	-	1,634,869
Nigeria Programs	53,325,961	-	53,325,961
Tanzania Programs	170,629	-	170,629
Cambodia Programs	1,087,274	-	1,087,274
Haiti Programs	4,945,626	-	4,945,626
Somalia Programs	14,161,914	-	14,161,914
Other Country and Strategic Programs	<u>4,200,550</u>	<u>-</u>	<u>4,200,550</u>
Total program services	<u>103,216,879</u>	<u>-</u>	<u>103,216,879</u>
Supporting Services:			
Program Support	4,879,189	-	4,879,189
Management and General	4,010,235	-	4,010,235
Fundraising	<u>2,426,647</u>	<u>-</u>	<u>2,426,647</u>
Total supporting services	<u>11,316,071</u>	<u>-</u>	<u>11,316,071</u>
Total expenses	<u>114,532,950</u>	<u>-</u>	<u>114,532,950</u>
Changes in net assets before other items	1,171,349	30,517,071	31,688,420
OTHER ITEMS			
Change in net assets attributable to strategic country exchange/regionalization (Note 4)	(3,901,731)	(1,832,177)	(5,733,908)
Provision for unanticipated losses	(3,499,900)	-	(3,499,900)
Provision for uncollectable grants	-	(1,825,390)	(1,825,390)
Exchange loss	(327,296)	(2,061,169)	(2,388,465)
De-obligated awards and funds returned to donors	<u>-</u>	<u>(546,650)</u>	<u>(546,650)</u>
CHANGES IN NET ASSETS	<u>\$ (6,557,578)</u>	<u>\$ 24,251,685</u>	<u>\$ 17,694,107</u>

ACTION AGAINST HUNGER - USA

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 8,703,165	\$ 88,355	\$ 8,791,520
Special events, net	1,013,236	-	1,013,236
Grants (Notes 7 and 16):			
U.S. Government	-	37,908,541	37,908,541
Non-U.S. Government	-	72,361,196	72,361,196
In-kind contributions (Note 11)	52,572,009	-	52,572,009
Other revenue	120,259	-	120,259
Net assets released from donor restrictions (Note 8)	<u>101,484,651</u>	<u>(101,484,651)</u>	<u>-</u>
Total revenue	<u>163,893,320</u>	<u>8,873,441</u>	<u>172,766,761</u>
EXPENSES			
Program Services:			
Democratic Republic of Congo Programs	4,590,566	-	4,590,566
Kenya Programs	2,573,979	-	2,573,979
South Sudan Programs	11,003,790	-	11,003,790
Uganda Programs	5,191,124	-	5,191,124
Pakistan Programs	4,612,946	-	4,612,946
Nigeria Programs	90,242,269	-	90,242,269
Tanzania Programs	74,607	-	74,607
Cambodia Programs	855,339	-	855,339
Haiti Programs	14,016,345	-	14,016,345
Somalia Programs	9,712,155	-	-
Other Country and Strategic Programs	3,887,502	-	3,887,502
Programs Sub-contracted to Network:			
Mauritania Programs	641,545	-	641,545
Sierra Leone Programs	<u>48,972</u>	<u>-</u>	<u>48,972</u>
Total program services	<u>147,451,139</u>	<u>-</u>	<u>147,451,139</u>
Supporting Services:			
Program Support	4,396,025	-	4,396,025
Management and General	4,038,224	-	4,038,224
Fundraising	<u>1,885,004</u>	<u>-</u>	<u>1,885,004</u>
Total supporting services	<u>10,319,253</u>	<u>-</u>	<u>10,319,253</u>
Total expenses	<u>157,770,392</u>	<u>-</u>	<u>157,770,392</u>
Changes in net assets before other items	6,122,928	8,873,441	14,996,369
OTHER ITEMS			
Change in net assets attributable to strategic country exchange/regionalization	(601,000)	10,888,333	10,287,333
Provision for unanticipated losses	(190,521)	-	(190,521)
Exchange gain	400,005	1,482,465	1,882,470
De-obligated awards and funds returned to donors	<u>-</u>	<u>(899,312)</u>	<u>(899,312)</u>
CHANGES IN NET ASSETS	<u>\$ 5,731,412</u>	<u>\$ 20,344,927</u>	<u>\$ 26,076,339</u>

ACTION AGAINST HUNGER - USA
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Without Donor Restrictions</u>						
	<u>Undesignated</u>	<u>Management Designated</u>	<u>Board Designated</u>	<u>Total Designated</u>	<u>Total Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
		<u>Program Development</u>	<u>Emergency Fund</u>				
Net assets at December 31, 2016	\$ 3,619,727	\$ 310,000	\$ 450,000	\$ 760,000	\$ 4,379,727	\$ 48,423,427	\$ 52,803,154
Changes in net assets	<u>5,731,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,731,412</u>	<u>20,344,927</u>	<u>26,076,339</u>
Net assets at December 31, 2017	9,351,139	310,000	450,000	760,000	10,111,139	68,768,354	78,879,493
Changes in net assets	<u>(6,557,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,557,578)</u>	<u>24,251,685</u>	<u>17,694,107</u>
NET ASSETS AT DECEMBER 31, 2018	<u>\$ 2,793,561</u>	<u>\$ 310,000</u>	<u>\$ 450,000</u>	<u>\$ 760,000</u>	<u>\$ 3,553,561</u>	<u>\$ 93,020,039</u>	<u>\$ 96,573,600</u>

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services						
	Democratic Republic of Congo Programs	Kenya Programs	South Sudan Programs	Uganda Programs	Pakistan Programs	Nigeria Programs	Tanzania Programs
Personnel:							
US staff	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,142	\$ -
Other U.S. payroll	(25,942)	25,105	1,000,468	261,622	33,631	1,673,106	826
Fringe benefits	-	12,977	997,281	380,909	35,370	1,757,799	62,067
National field staff	-	2,099,881	3,908,314	1,545,034	881,556	7,348,459	14,790
Office running costs and services:							
Insurance	-	(909)	-	-	-	-	-
Rent and utilities	-	143,316	648,110	135,633	82,614	480,899	3,962
Professional fees	-	11,189	56,775	42,971	-	390,938	813
Travel	-	5,025	376,984	19,145	14,363	161,669	6,819
Telecommunications	-	34,022	199,988	75,934	10,155	232,495	534
Postage and custom fees	-	1,295	920	8	2,386	31,616	122
Finance charges	-	9,068	95,069	8,351	8,742	841,759	821
Meeting expenses	-	1,462	-	5,080	10,097	-	-
Human resources	-	-	-	-	-	-	-
Office equipment and supplies:							
Office supplies	-	60,130	157,213	111,459	5,689	659,389	1,436
Depreciation and amortization	-	-	-	-	-	-	-
Equipment rental and maintenance	-	710	2,862	3,872	1,283	29,011	33
Public awareness and information:							
Fundraising expense	-	-	-	-	-	-	-
Project logistics:							
Vehicles	-	401,977	712,185	430,110	132,221	1,959,902	37,410
Radios	-	-	45,418	-	-	21,223	-
Warehouse	-	170	98,478	4,647	22,543	67,360	36
Electrical systems	-	289	144,113	27,732	5,490	296,644	-
Freight	-	9,864	841,431	27,350	21,601	235,512	7
Security	-	-	4,174	-	-	-	-
Project expenses:							
Food	-	851	27,243	11,880	72	9,148,492	1,505
Nutrition	-	-	25,968	5,099	98,349	52,142	-
Health	-	9,636	169,420	4,739	988	219,875	-
Food security	-	-	20,633	150,533	11,125	20,178,435	-
Non consumables	-	208,779	178,025	138,413	54,626	1,014,035	-
Watsan	-	180,930	339,000	1,153,896	24,641	1,501,071	-
Training	-	678,167	129,558	861,133	61,618	2,150,796	20,998
Donated goods and services	-	40,940	2,242,799	1,463,879	78,383	2,812,603	17,519
Subcontracts:							
Subawards and subcontracts to Partners	-	308,703	13,672	2,990	-	(13,795)	-
Other expenses:							
Exceptional expenses	3,519	(34)	138,437	21,979	37,326	43,384	931
TOTAL	\$ (22,423)	\$ 4,243,543	\$ 12,574,538	\$ 6,894,398	\$ 1,634,869	\$ 53,325,961	\$ 170,629

Supporting Services									
Cambodia Programs	Haiti Programs	Somalia Programs	Other Country and Strategy Programs	Total Program Services	Program Support	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 88,672	\$ -	\$ -	\$ 508,044	\$ 627,858	\$ 2,692,546	\$ 1,226,645	\$ 939,615	\$ 4,858,806	\$ 5,486,664
(1,659)	246,372	176,985	9,403	3,399,917	329,447	530,701	401,161	1,261,309	4,661,226
102,006	173,006	188,466	120,595	3,830,476	842,823	204,795	255,304	1,302,922	5,133,398
401,973	1,830,087	3,588,737	(1,102)	21,617,729	311,155	119,795	-	430,950	22,048,679
130	-	561	-	(218)	-	70,083	-	70,083	69,865
27,300	189,461	431,408	19,098	2,161,801	64,423	672,151	-	736,574	2,898,375
568	17,631	22,052	29,169	572,106	60,571	(161,828)	45,705	(55,552)	516,554
7,091	18,549	312,746	107,645	1,030,036	358,797	151,786	30,362	540,945	1,570,981
7,051	54,160	110,043	762	725,144	14,318	55,728	637	70,683	795,827
199	-	268	2,718	39,532	990	3,735	9,504	14,229	53,761
2,505	25,433	205,041	231	1,197,020	2,205	295,341	41,213	338,759	1,535,779
-	2,023	4,998	15,304	38,964	61,630	24,860	24,518	111,008	149,972
-	-	-	-	-	10,516	14	-	10,530	10,530
21,956	52,808	173,915	21,712	1,265,707	75,700	123,229	37,735	236,664	1,502,371
-	107,871	16,848	-	124,719	24,884	173,300	-	198,184	322,903
403	1,644	2,321	-	42,139	1,497	1,497	-	2,994	45,133
-	-	-	-	-	1,905	87,633	640,893	730,431	730,431
36,817	655,792	646,897	-	5,013,311	3,380	22,101	-	25,481	5,038,792
-	350	4,176	-	71,167	-	-	-	-	71,167
-	22,587	17,444	-	233,265	-	-	-	-	233,265
-	16,580	36,735	-	527,583	272	22	-	294	527,877
-	13,751	502,670	-	1,652,186	-	-	-	-	1,652,186
-	178	-	-	4,352	-	-	-	-	4,352
-	11,470	376,465	(112,416)	9,465,562	-	-	-	-	9,465,562
213	1,233	299,741	10,825	493,570	-	-	-	-	493,570
-	-	398,851	(183)	803,326	-	-	-	-	803,326
820	4,963	487,989	(16,221)	20,838,277	-	-	-	-	20,838,277
24	473,793	3,174,668	-	5,242,363	-	-	-	-	5,242,363
10,743	113,752	1,073,284	(1,260)	4,396,057	-	-	-	-	4,396,057
165,766	65,945	782,094	88,610	5,004,685	7,798	-	-	7,798	5,012,483
214,547	310,010	1,147,284	544	8,328,508	749	-	-	749	8,329,257
-	(173,941)	-	3,356,973	3,494,602	-	403,017	-	403,017	3,897,619
149	710,118	(20,773)	40,099	975,135	13,583	5,630	-	19,213	994,348
\$ 1,087,274	\$ 4,945,626	\$ 14,161,914	\$ 4,200,550	\$ 103,216,879	\$ 4,879,189	\$ 4,010,235	\$ 2,426,647	\$ 11,316,071	\$ 114,532,950

ACTION AGAINST HUNGER - USA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services							
	Democratic Republic of Congo Programs	Kenya Programs	South Sudan Programs	Uganda Programs	Pakistan Programs	Nigeria Programs	Tanzania Programs	Cambodia Programs
Personnel:								
US staff	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,959	\$ -	\$ 64,777
Other U.S. payroll	307,354	67,760	1,068,446	301,125	115,226	1,646,992	51,065	12
Fringe benefits	196,055	17,036	868,472	153,281	74,717	1,577,533	18,224	75,542
National field staff	1,298,351	1,293,563	2,898,291	1,191,635	2,282,816	5,138,185	-	292,143
Office running costs and services:								
Insurance	1,448	(577)	-	-	-	-	-	242
Rent and utilities	85,116	126,582	474,295	106,066	155,151	523,043	868	20,284
Professional fees	48,540	2,080	52,074	45,803	1,427	32,700	1,112	503
Travel	80,871	5,186	276,253	36,355	47,653	223,269	3,398	10,820
Telecommunications	73,204	25,838	151,308	42,473	18,569	208,776	56	4,583
Postage and custom fees	4,162	631	7,150	43	18,186	12,741	150	78
Finance charges	47,857	7,770	133,839	21,828	18,429	666,643	17	49,114
Meeting expenses	919	-	2,017	2,937	5,625	1,048	8	813
Human resources	-	-	-	-	-	-	-	-
Office equipment and supplies:								
Office supplies	87,583	45,312	149,590	108,734	36,372	762,292	10	8,534
Depreciation and amortization	26,444	-	-	-	-	15,593	-	-
Equipment rental and maintenance	7,560	661	240	2,397	569	8,923	-	295
Public awareness and information:								
Fundraising expense	-	-	-	-	-	-	-	-
Project logistics:								
Vehicles	470,235	283,373	739,837	327,617	480,731	2,558,438	358	25,524
Radios	5,456	-	36,633	46	-	83,299	-	-
Warehouse	23,019	77	76,698	10,331	41,583	43,868	-	2,708
Electrical systems	10,522	71	181,666	5,477	18,583	331,891	-	36
Freight	424,974	523	516,182	47,770	8,199	405,944	-	-
Security	-	26	10,350	-	482	-	-	-
Logistics library	-	-	227	-	-	-	-	4
Project expenses:								
Food	159,261	8,778	17,786	-	-	10,152,199	-	-
Nutrition	557,083	-	78,160	93,565	79,439	69,078	-	595
Health	38,187	-	26,392	47,489	8,253	383,559	-	-
Food security	-	-	26,413	233,333	6,073	11,791,926	-	13,892
Non consumables	249,160	-	91,974	285,080	-	2,612,881	-	-
Watsan	155,364	3,136	119,309	335,967	22,088	1,819,451	-	9,826
Training	215,902	665,379	179,631	635,232	196,385	3,520,966	(659)	77,585
In-kind and other	15,939	20,774	2,812,418	1,156,540	976,390	45,564,932	-	197,429
Subcontracts:								
Subcontracts to Partners	-	-	8,139	-	-	8,140	-	-
Other expenses:								
Exceptional expenses	-	-	-	-	-	-	-	-
TOTAL	\$ 4,590,566	\$ 2,573,979	\$ 11,003,790	\$ 5,191,124	\$ 4,612,946	\$ 90,242,269	\$ 74,607	\$ 855,339

Supporting Services									
Haiti Programs	Somalia Programs	Other Country and Strategy Programs	Programs Sub-contracted to Network	Total Program Services	Program Support	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 1,010	\$ -	\$ 526,034	\$ -	\$ 669,780	\$ 1,989,690	\$ 1,169,133	\$ 633,494	\$ 3,792,317	\$ 4,462,097
668,903	123,020	455,328	-	4,805,231	403,795	385,396	210,958	1,000,149	5,805,380
550,171	104,529	172,883	-	3,808,443	628,710	346,112	186,902	1,161,724	4,970,167
4,435,347	1,996,127	-	-	20,826,458	376,485	-	-	376,485	21,202,943
-	1,502	-	-	2,615	-	40,547	-	40,547	43,162
269,099	181,310	-	-	1,941,814	172,315	660,450	-	832,765	2,774,579
22,964	5,236	5,411	-	217,850	192,288	198,017	18,116	408,421	626,271
91,104	13,962	199,113	-	987,984	361,618	69,188	17,177	447,983	1,435,967
114,598	63,112	3,170	-	705,687	22,761	69,694	-	92,455	798,142
637	70	985	-	44,833	1,814	2,801	76,115	80,730	125,563
129,577	118,902	137	-	1,194,113	2,708	91,639	60,435	154,782	1,348,895
20,185	2,312	44,285	-	80,149	45,289	20,312	9,379	74,980	155,129
-	-	58	-	58	11,279	50	1,796	13,125	13,183
171,536	93,247	6,063	-	1,469,273	107,608	127,073	25,728	260,409	1,729,682
81,560	11,465	-	-	135,062	24,884	207,543	-	232,427	367,489
1,548	185	-	-	22,378	6,515	392	-	6,907	29,285
-	-	2,830	-	2,830	1,834	118,236	644,904	764,974	767,804
1,363,920	411,691	-	-	6,661,724	6,743	-	-	6,743	6,668,467
-	6,263	-	-	131,697	-	286	-	286	131,983
56,510	5,021	-	-	259,815	-	-	-	-	259,815
27,924	10,145	-	-	586,315	131	-	-	131	586,446
15,478	83,891	-	-	1,502,961	-	-	-	-	1,502,961
-	-	-	-	10,858	-	-	-	-	10,858
-	-	-	-	231	-	-	-	-	231
1,120	57,000	-	-	10,396,144	-	-	-	-	10,396,144
988	74,024	2,624	-	955,556	-	-	-	-	955,556
3,188	101,690	-	-	608,758	-	-	-	-	608,758
41,155	573,999	-	-	12,686,791	-	-	-	-	12,686,791
2,267,081	2,754,749	-	-	8,260,925	-	-	-	-	8,260,925
495,191	533,898	-	-	3,494,230	-	-	-	-	3,494,230
392,026	502,801	6,066	-	6,391,314	31,010	2,115	-	33,125	6,424,439
388,409	1,865,726	34,661	-	53,033,218	8,548	64,675	-	73,223	53,106,441
2,405,116	16,278	2,427,854	690,517	5,556,044	-	268,565	-	268,565	5,824,609
-	-	-	-	-	-	196,000	-	196,000	196,000
\$ 14,016,345	\$ 9,712,155	\$ 3,887,502	\$ 690,517	\$ 147,451,139	\$ 4,396,025	\$ 4,038,224	\$ 1,885,004	\$ 10,319,253	\$ 157,770,392

ACTION AGAINST HUNGER - USA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 17,694,107	\$ 26,076,339
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	322,903	367,489
Amortization of right-of-use asset	697,100	697,100
Amortization of deferred rent (landlord construction)	(68,130)	(68,130)
Increase in net fixed assets attributable to strategic country exchange	-	(171,354)
(Increase) decrease in:		
Grants receivable	(17,624,621)	(25,331,659)
Travel advances and other receivables	(3,286)	(1,775,536)
Prepaid expenses and other assets	(28,570)	31,649
Program advances to network	-	(59,986)
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,017,078)	2,727,694
Provision for unanticipated loss	3,499,900	190,521
Due to Network	(5,437,645)	7,851,935
Operating lease obligation	<u>(574,297)</u>	<u>(563,037)</u>
Net cash (used) provided by operating activities	<u>(2,539,617)</u>	<u>9,973,025</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment, vehicles and leasehold improvements	<u>(128,602)</u>	<u>(7,566)</u>
Net cash used by investing activities	<u>(128,602)</u>	<u>(7,566)</u>
Net (decrease) increase in cash and cash equivalents	(2,668,219)	9,965,459
Cash and cash equivalents at beginning of year	<u>16,461,610</u>	<u>6,496,151</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,793,391</u>	<u>\$ 16,461,610</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 88,672</u>	<u>\$ 17,961</u>

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

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.

Furniture, equipment, vehicles and leasehold improvements -

Furniture, equipment, vehicles and leasehold improvements with costs in excess of \$5,000 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, to its current fair value.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 12, 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, 2018 and 2017, 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 -

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Contributions and grants (continued) -

Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

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 awards are recorded as revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Awards received under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs (in which the claimed costs are deemed conditional until accepted by the donor) in advance of incurring the related expenses are recorded as net assets with donor restrictions. Grants receivable represents the total award amounts less cumulative amounts received. In 2018, management recorded a provision against income for uncollectable grants by utilizing an estimate of 2.00% of the open grants receivable balance as of December 31, 2018.

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. Due to the significant growth in programmatic activities (expenses) over the past two years the provision for unanticipated losses has been increased by approximately \$3,500,000.

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 net assets with donor restrictions 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 an other item in the accompanying Statements of Activities.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

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 2018 and 2017, 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 11).

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. Expenses directly attributed to a specific functional area of Action Against Hunger - USA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$10,111,139 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$68,768,354 are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by one year; thus, the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. This ASU is effective for fiscal years beginning after December 15, 2018.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

New accounting pronouncements (not yet adopted) (continued) -

Action Against Hunger - USA plans to adopt the new ASUs at the respective required implementation dates.

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 \$4,288,989 and \$2,723,194 of cash and cash equivalents held in foreign countries at December 31, 2018 and 2017, respectively. The majority of these funds are uninsured.

3. GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
European Community Humanitarian Organization	\$ 8,538,192	\$ 5,442,059
European Union	13,531,383	21,630,236
U.S. Agency for International Development	24,880,215	18,625,738
U.S. State Department	958,851	1,798,135
UNICEF	2,238,349	1,766,201
World Food Program	2,291,101	2,611,806
Other United Nations Agencies	497,722	-
FAO	74,018	131,556
French GVT / Various	-	439,454
AFD	9,040,014	209,535
MAEE/CDC (centre de crise)	343,137	-
DFID/Overseas Development	17,399,349	10,007,799
CIDA/DFATD	2,856,539	3,859,670
Swiss Government	2,213,774	1,746,694
GIZ / German Embassies	1,424,567	1,465,486
The Swedish Cooperation	2,551,769	-
Australian Embassies	-	1,059,741
NGOs and Foundations	2,111,956	2,310,916
Corporations Restricted	75,744	211,150
Private Donations	<u>242,834</u>	<u>328,717</u>
GRANTS RECEIVABLE	<u>\$ 91,269,514</u>	<u>\$ 73,644,893</u>

As of December 31, 2018 and 2017, grants receivable within one year were approximately \$70,900,000 and \$50,900,000, respectively; and grants receivable due within one to five years, net of discounts ranging from 2.50 to 3.50 percent, were approximately \$20,400,000 and \$22,700,000, respectively.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, Action Against Hunger - USA has recorded a net balance due to the network of \$3,518,475 and \$8,956,120, respectively. Included in such amounts at December 31, 2018 and 2017 are program advances to the network of \$2,014,015 and \$835,477, respectively; and amounts owed to the network of \$5,532,490 and \$9,791,597, respectively.

During 2017, management of Action Against Hunger - USA and the French network member, Action Contre la Faim (ACF-France) implemented a process by which the two organizations exchanged the management and administration, oversight, and financial reporting responsibilities for several field locations in the various countries throughout the world where the Against Against Hunger implements programs. These exchanges were a part of the Action Against Hunger Network's global strategy designed to align global operations based on regions. A description of these exchanges and the resulting financial statements effects follows.

Effective January 1, 2017, ACF-France relinquished control over operations in the country of Haiti to Action Against Hunger - USA. As a result of this transfer, Action Against Hunger - USA recorded an increase in net assets with donor restrictions of \$10,839,353, representing the net unexpended value of Haiti grant awards as of January 1, 2017. As of the transfer date, Action Against Hunger - USA assumed the value of all assets and liabilities of the Haiti field office, including assets of \$12,420,865 and liabilities of \$221,584, a net value of \$12,199,281. The difference between this figure and the increase in net assets with donor restrictions noted above was \$1,359,928, and was recorded as the balance due to ACF-France for the transfer of Haiti field office net assets. During 2018, Action Against Hunger - USA recorded a decrease in net assets with donor restrictions of \$1,832,177 associated with the Haiti country exchange, in connection with the settlement of various intercompany balances between Action Against Hunger - USA and ACF-France.

Effective July 1, 2017, ACF-France relinquished control over operations in the country of Somalia to Action Against Hunger - USA. As a result of this transfer, Action Against Hunger - USA recorded an increase in net assets with donor restrictions of \$5,706,378, representing the net unexpended value of Somalia grant awards as of July 1, 2017. As of the transfer date, Action Against Hunger - USA assumed the value of all assets and liabilities of the Somalia field office, including assets of \$6,771,861 and liabilities of \$99,451, a net value of \$6,672,410. The difference between this figure and the increase in net assets with donor restrictions noted above was \$966,032, and was recorded as the balance due to ACF-France for the transfer of Somalia field office net assets.

Effective July 1, 2017, Action Against Hunger - USA relinquished control over operations in the country of The Democratic Republic of The Congo (DRC) to ACF-France. As a result of this transfer, Action Against Hunger - USA recorded a decrease in net assets with donor restrictions of \$5,657,398, representing the net unexpended value of DRC grant awards as of July 1, 2017. As of the transfer date, Action Against Hunger - USA was relieved of the value of all assets of the DRC field office, amounting \$6,258,900. There were no liabilities recorded at the DRC field office as of the transfer date. The difference between the value of assets relinquished and the decrease in net assets with donor restrictions noted above was \$601,502, and was recorded as the balance due from ACF-France for the transfer of the DRC field office net assets.

In addition to the transactions noted above, as part of the strategic country exchanges, Action Against Hunger - USA and ACF-France resolved to equitably share the recoverable indirect costs of the programs operating in the exchanged countries over a three year period.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

4. ACTION AGAINST HUNGER NETWORK (Continued)

While the ultimate amounts to be settled between Action Against Hunger - USA and ACF-France under this agreement will be determined at a future date, during 2018 and 2017, Action Against Hunger - USA recorded a decrease in net assets without donor restrictions of \$2,845,708 and \$601,000, respectively, associated with the indirect cost sharing component of the country exchanges.

Other decreases in net assets without donor restrictions during 2018 attributable to the country exchanges amounted to \$1,056,023. The total changes in net assets resulting from the transactions described above have been recorded as "Change in net assets attributable to strategic country exchange/regionalization" in the accompanying Statements of Activities for the years ended December 31, 2018 and 2017.

As a result of the transfers noted above, during 2017 Action Against Hunger - USA experienced an increase in the value of its net fixed assets of \$171,354. This amount is presented as "Increase in net fixed assets attributable to strategic country exchange" in the accompany Statement of Cash Flows for the year ended December 31, 2017.

5. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, vehicles and leasehold improvements consisted of the following at December 31, 2018 and 2017:

	2018	2017
Furniture	\$ 281,440	\$ 281,440
Equipment	740,834	691,205
Vehicles	1,421,322	1,295,034
Leasehold improvements - other	292,481	292,481
Landlord construction	1,050,330	1,050,330
	3,786,407	3,610,490
Less: Accumulated depreciation and amortization	(2,592,657)	(2,222,439)
FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET	\$ 1,193,750	\$ 1,388,051

Depreciation and amortization expense totaled \$322,903 and \$367,489, for the years ended December 31, 2018 and 2017, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	2018	2017
Canada Programs:		
U.S. Department of State	\$ 821,191	\$ 786,538
U.S. Agency for International Development (OFDA)	1,800,937	355,314

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2018</u>	<u>2017</u>
Haiti Programs:		
European Community Humanitarian Organization	\$ 2,888,585	\$ 361,206
European Union	-	128,967
U.S. Agency for International Development (FFP)	-	912,550
UNICEF	59,529	-
Tanzania Programs:		
U.S. Agency for International Development (OFDA)	26,770	-
Cambodia Programs:		
GIZ / German Embassy	923,594	-
World Food Program	14,522	-
French GVT / Various	-	144,639
AFD	194,268	303,530
Other NGOs	58,612	-
Corporations	52,327	-
Foundations	19,741	-
Kenya Programs:		
UNICEF	495,493	876,834
European Union	-	296,362
World Food Program	21,091	-
MAEE/CDC (Centre de Crise)	-	524,365
CIDA/DFATD	1,752,840	2,606,029
Swedish Cooperation	764,872	-
Other NGOs	17,533	-
Foundations	320,728	309,264
Uganda Programs:		
U.S. Agency for International Development (OFDA)	241	-
World Food Program	907,695	485,114
U.S. Department of State	37,357	833,182
Swedish Cooperation	2,060,076	168,837
European Community Humanitarian Organization	-	1,623,794
French Embassy / Food AID (ex-CIAA)	-	6,907
MAEE/CDC (Centre de Crise)	-	529,846
Other NGOs	-	449,681
Foundations	379,657	-
Pakistan Programs:		
European Community Humanitarian Organization	-	518,272
UNICEF	-	416,181
Swedish Cooperation	-	604,185
Somalia Programs:		
European Union	1,354,249	2,130,480
Other United Nations Agencies	220,342	-

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2018</u>	<u>2017</u>
Somalia Programs (continued):		
FAO	\$ 2,249	\$ 116,493
DFID/Overseas Development	5,276,960	657,094
CIDA/DFATD	481,023	3,173,310
Other NGOs	259,789	-
MAEE/CDC (Centre de Crise)	340,897	-
Swiss Government	432,759	1,135,605
Australian Embassies	-	367,025
Private Donations / Restricted	-	329,742
South Sudan Programs:		
European Community Humanitarian Organization	-	643,330
U.S. Agency for International Development (OFDA)	3,389,176	3,017,938
UNICEF	1,148	178,028
FAO	35,182	-
GIZ / German Embassy	335,219	1,108,782
Foundations	61,020	321,460
World Food Program	51,270	184,363
CIDA/DFATD	-	711,852
The Swedish Cooperation	263,314	341,715
Other NGOs	12,193	937
Corporations Restricted	2,901	14,952
Nigeria Programs:		
European Community Humanitarian Organization	3,277,726	2,261,356
European Union	15,376,310	17,911,292
U.S. Agency for International Development (OFDA)	5,186,278	206,902
U.S. Agency for International Development (FFP)	13,533,692	4,614,725
DFID/Overseas Development	3,237,268	5,981,699
CIDA/DFATD	2,037,526	696,494
AFD	9,217,451	-
Swiss Government	1,725,674	-
MAEE / CDC (Centre de Crise)	-	501,580
Swedish Cooperation	815,481	226,900
UNICEF	643,531	334,492
Other Strategic Programs:		
U.S. Agency for International Development (OFDA)	2,876,032	1,710,976
U.S. Agency for International Development (FFP)	1,444,993	2,299,323
DFID/Overseas Development	7,452,121	3,153,447
Save the Children	8,376	20,344
Corporations Restricted	50,230	235,990
Foundations Restricted	-	938,131
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 93,020,039</u>	<u>\$ 68,768,354</u>

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

7. GRANTS

Action Against Hunger - USA receives grants from the U.S. Government, foreign governments, international organizations, foundations and private donors. The following is a summary of the grants received during 2018 and 2017:

	<u>2018</u>	<u>2017</u>
U.S. Government Grants:		
U.S. Agency for International Development (OFDA/FFP):		
South Sudan	\$ 3,976,000	\$ 3,976,000
Haiti	(159,266)	-
Canada Programs	1,800,313	360,799
US Strategic Programs	2,388,468	2,952,338
Nigeria	51,225,000	28,421,269
U.S. Department of State (BPRM):		
Canada Programs	926,885	816,135
Uganda	-	<u>1,382,000</u>
TOTAL U.S. GOVERNMENT GRANTS	<u>\$ 60,157,400</u>	<u>\$ 37,908,541</u>

Non-U.S. Government Grants:

Haiti Programs:		
European Community Humanitarian Organization	\$ 6,650,026	\$ 2,635,749
European Union	-	441,454
UNICEF	2,323,000	1,704,000
The Swedish Cooperation	101,057	-
French GVT / Various	-	31,629
Private Donations / Restricted	-	281,266
South Sudan Programs:		
European Community Humanitarian Organization	-	1,228,776
UNICEF	686,977	838,364
World Food Program	974,115	1,142,646
Other United Nations Agencies	-	571,281
CIDA/DFATD	(27,262)	1,099,055
FAO	137,527	-
GIZ / German Embassy	666,102	1,600,161
The Swedish Cooperation	1,327,395	785,010
Other NGOs	14,288	4,239
Corporations Restricted	-	32,473
Foundations	258,226	484,880
Uganda Programs:		
European Community Humanitarian Organization	-	2,575,034
World Food Program	1,459,526	1,290,567
French Embassies / Food AID (ex-CIAA)	-	33,068
MAEE/CDC (centre de crise)	-	575,550
Swedish Cooperation	2,981,670	785,010
Other NGOs	(28,409)	661,228
Foundations	480,000	-

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

7. GRANTS (Continued)

	2018	2017
Non-U.S. Government Grants (continued):		
Democratic Republic of Congo Programs:		
UNDP	\$ -	\$ 500,000
UNICEF	-	396,397
Swedish Cooperation	-	3,416,583
Swiss Government	-	50,702
Other NGOs	-	191,311
Kenya Programs:		
European Community Humanitarian Organization	491,040	520,027
European Union	-	4,842
UNICEF	626,430	1,033,413
World Food Program	242,328	141,793
MAEE / CDC (centre de crise)	-	590,350
Other NGOs	-	338,689
Foundations	18,747	-
Other Donors	184,015	-
Swedish Cooperation	1,455,232	-
Pakistan Programs		
European Community Humanitarian Organization	-	521,903
Swedish Cooperation	-	894,133
UNICEF	-	10,086
Other NGOs	26,879	11,115
Nigeria Programs:		
European Community Humanitarian Organization	4,660,350	4,630,540
DFID/Overseas Development	4,630,690	2,168,656
European Union	-	17,606,998
CIDA/DFATD	3,063,835	1,914,551
Swiss Government	1,751,394	-
AFD	9,823,736	-
UNICEF	1,274,906	735,777
Other United Nations Agencies	1,060,000	-
World Food Program	-	1,026,657
Swedish Cooperation	1,648,782	1,117,666
MAEE/CDC (Centre de Crise)	-	531,315
Other NGOs	188,624	-
Somalia Programs:		
European Community Humanitarian Organization	2,292,839	-
European Union	159,310	2,021,221
FAO	100,538	106,080
DFID/Overseas Development	9,424,103	3,851,684
CIDA/DFATD	-	1,709,236
MAEE / CDC (centre de crise)	349,770	-
Swedish Cooperation	476,442	-
Other United Nations Agencies	550,000	-

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

7. GRANTS (Continued)

	<u>2018</u>	<u>2017</u>
Non-U.S. Government Grants (continued):		
Somalia Programs:		
Swiss Government	\$ -	\$ 1,277,578
Other NGOs	645,930	-
Australian Embassies	-	500,000
Private Donations / Restricted Foundations	240,228	506,027
	22,864	-
Tanzania Programs:		
European Community Humanitarian Organization	28,153	-
Cambodia Programs:		
World Food Program	104,225	120,000
French GVT / Various	-	159,668
AFD	-	383,148
GIZ / German Embassies	1,405,525	100,276
Corporations Restricted	59,270	-
Strategic Programs:		
Other NGOs	27,927	-
DFID/Overseas Development Corporations Restricted	5,150,630	3,550,002
Foundations	-	211,150
	<u>-</u>	<u>710,182</u>
TOTAL NON-U.S. GOVERNMENT GRANTS	<u>\$ 70,191,315</u>	<u>\$ 72,361,196</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets which were released from donor restrictions by incurring expenses (or through other adjustments), which satisfied the donor-specified restrictions at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Democratic Republic of Congo Programs	\$ -	\$ 5,664,640
Haiti Programs	3,661,437	14,725,641
Kenya Programs	4,192,504	2,436,131
Somalia Programs	13,573,659	7,316,764
South Sudan Programs	10,085,737	7,815,375
Uganda Programs	5,813,031	4,314,228
Pakistan Programs	1,437,499	3,376,587
Nigeria Programs	55,819,211	49,915,625
Cambodia Programs	765,085	450,424
Other Strategic Programs	4,503,481	4,761,378
Programs Sub-contracted to Network:		
Mauritania Programs	-	658,190
Sierra Leone Programs	-	49,668
	<u>-</u>	<u>49,668</u>
TOTAL EXPENSES	<u>\$ 99,851,644</u>	<u>\$ 101,484,651</u>

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

9. DESIGNATED NET ASSETS

At December 31, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017 totaled \$310,000 and \$310,000, respectively.

10. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 13,793,391	\$ 16,461,610
Grants receivable	91,269,514	73,644,893
Travel advances and other receivables	<u>3,132,837</u>	<u>3,129,551</u>
Subtotal financial assets available within one year	108,195,742	93,236,054
Less: Donor restricted funds	(93,020,039)	(68,768,354)
Less: Board designated funds	<u>(760,000)</u>	<u>(760,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 14,415,703</u>	<u>\$ 23,707,700</u>

Action Against Hunger - USA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018 and 2017 Action Against Hunger - USA had financial assets equal to approximately two months of operating expenses (including programmatic expenses). In addition, Action Against Hunger - USA has a line of credit agreement (as further discussed in Note 14) which allows for additional available borrowings up to \$7,000,000.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

11. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following at December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Project expenses (food, transportation and medical supplies)	\$ 7,941,905	\$ 52,357,108
Public information and education, including fundraising	<u>217,311</u>	<u>214,901</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 8,159,216</u>	<u>\$ 52,572,009</u>

12. 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 was issued with the goal of increasing comparability among organizations by requiring the recognition of lease assets and lease liabilities on the Statements of Financial Position and disclosure of key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Statements of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a straight line basis.

As a result, in 2015, Action Against Hunger - USA recorded a right-of-use asset and an operating lease liability in the amount of \$10,746,950 by calculating the net present value of the future rental payments using a discount rate of 3.00%.

The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2018, the unamortized right-of-use asset was \$8,365,194 and the unamortized operating lease liability was \$9,057,619. The lease cost, including imputed interest and amortization of the right-of-use asset for the years ended December 31, 2018 and 2017 was \$665,869 and \$663,283, respectively.

The right-of-use asset at December 31, 2018 and 2017 is lower than the corresponding liability because the right-of-use asset was amortized for several months during 2015; however no lease payments were made during 2015.

Under the terms of the operating lease, the landlord incurred certain initial construction costs on behalf of Action Against Hunger - USA that amounted to \$10,111,139. 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.

The liability related to the value of the lease incentive (landlord construction) is being amortized over the length of the lease. The lease incentive liability was reduced by amortization of \$68,130 during the years ended December 31, 2018 and 2017.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

12. LEASE COMMITMENTS (Continued)

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

Year Ending December 31,

2019	\$ 648,348
2020	660,063
2021	672,535
2022	685,985
2023	699,705
Thereafter	<u>5,690,983</u>
	<u>\$ 9,057,619</u>

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

13. 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 years ended December 31, 2018 and 2017, total contributions to the plan were \$152,545 and \$140,174, respectively.

14. LINE OF CREDIT AND STANDBY LETTER OF CREDIT

On July 8, 2013, Action Against Hunger - USA entered into a \$2,000,000 bank line of credit bearing interest at a per annum rate equal to two percent (2.00%) above the LIBOR Rate. On November 3, 2017, the balance available under the line of credit was increased to \$7,000,000.

There was no outstanding balance on the line of credit at December 31, 2018 and 2017. The line of credit is collateralized by substantially all property of Action Against Hunger - USA, including its bank accounts, receivables and equipment. The line of credit has been renewed through January 29, 2020.

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.

15. SPECIAL EVENTS

Revenue and expenses related to special events are recognized upon occurrence of the respective event and are presented net of the cost of direct donor benefits. The associated value of such benefits provided to donors amounted to \$93,763 and \$175,585 for the years ended December 31, 2018 and 2017, respectively.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

16. CONTINGENCIES

U.S. Government awards -

Action Against Hunger - USA receives grants from various agencies of the United States Government. 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 2018. 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, 2018 and 2017, Action Against Hunger - USA had cash, property, and equipment and receivables in various countries in Africa and Asia, totaling approximately \$7,000,000 and \$4,900,000, which represents approximately 5.83% and 5.11% of Action Against Hunger - USA's total assets as of December 31, 2018 and 2017, respectively.

17. SUBSEQUENT EVENTS

In preparing these financial statements, Action Against Hunger - USA has evaluated events and transactions for potential recognition or disclosure through December 27, 2019, the date the financial statements were issued.