ACTION AGAINST HUNGER - USA

AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED DECEMBER 31, 2019

ACTION AGAINST HUNGER - USA

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FINANCIAL STATEMENTS

ACTION AGAINST HUNGER - USA

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Action Against Hunger - USA, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 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.

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, 2019 and 2018, 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.

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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-(24 - 26), 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 May 25, 2021 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.

Gelman Rosenberg & Freedman

May 25, 2021

ACTION AGAINST HUNGER - USA

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Cash and cash equivalents:		
Headquarters	$ 17,423,244	$ 9,504,402
Field offices	4,558,844	4,288,989
Total cash and cash equivalents	21,982,088	13,793,391
Grants receivable	71,112,558	91,269,514
Travel advances and other receivables	854,793	3,132,837
Prepaid expenses and other assets	156,461	198,060
Furniture, equipment, vehicles and leasehold improvements, net	972,283	1,193,750
Right-of-use asset, net	6,918,670	7,547,640
TOTAL ASSETS	**$ 101,996,853**	**$ 117,135,192**

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Line of credit	$ 6,500,000	$ -
Accounts payable and accrued expenses	4,696,620	3,602,498
Due to donors	3,834,837	-
Provision for unanticipated loss	1,500,000	4,383,000
Due to Network	5,370,527	3,518,475
Operating lease obligation	8,409,271	9,057,619
Total liabilities	30,311,255	20,561,592
NET ASSETS		
Without donor restrictions:		
Undesignated	6,039,803	2,793,561
Designated	760,000	760,000
Total net assets without donor restrictions	6,799,803	3,553,561
With donor restrictions	64,885,795	93,020,039
Total net assets	71,685,598	96,573,600
TOTAL LIABILITIES AND NET ASSETS	**$ 101,996,853**	**$ 117,135,192**

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	$ 8,543,111	$ 83,915	$ 8,627,026
Special events, net	1,491,065	-	1,491,065
Grants:			
U.S. Government	-	29,053,513	29,053,513
Non-U.S. Government	-	69,153,007	69,153,007
In-kind contributions	6,551,225	-	6,551,225
Other revenue	22,805	-	22,805
Net assets released from donor restrictions	73,260,175	(73,260,175)	-
Total revenue	89,868,381	25,030,260	114,898,641
EXPENSES			
Program Services:			
Cambodia Programs	1,080,032	-	1,080,032
Ethiopia Programs	10,623,319	-	10,623,319
Haiti Programs	5,993,331	-	5,993,331
Kenya Programs	6,372,133	-	6,372,133
Nigeria Programs	17,249,376	-	17,249,376
Other Country and Strategic Programs	3,808,994	-	3,808,994
Somalia Programs	13,736,157	-	13,736,157
South Sudan Programs	13,393,874	-	13,393,874
Tanzania Programs	407,788	-	407,788
Uganda Programs	6,624,953	-	6,624,953
Total program services	79,289,957	-	79,289,957
Supporting Services:			
Program Support	5,516,013	-	5,516,013
Management and General	4,943,535	-	4,943,535
Fundraising	3,231,669	-	3,231,669
Total supporting services	13,691,217	-	13,691,217
Total expenses	92,981,174	-	92,981,174
Changes in net assets before other items	(3,112,793)	25,030,260	21,917,467
OTHER ITEMS			
Change in net assets attributable to strategic country exchange/regionalization	6,248,670	(50,920,982)	(44,672,312)
Closeout adjustments	(2,193,865)	(1,640,972)	(3,834,837)
Adjustment of provision for unanticipated losses	2,765,370	-	2,765,370
Exchange (loss) gain	(461,140)	216,780	(244,360)
De-obligated awards and funds returned to donors	-	(819,330)	(819,330)
CHANGES IN NET ASSETS	$ 3,246,242	$ (28,134,244)	$ (24,888,002)

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	$ 6,525,077	$ 20,000	$ 6,545,077
Special events, net	1,285,797	-	1,285,797
Grants:			
U.S. Government	-	60,157,400	60,157,400
Non-U.S. Government	-	70,191,315	70,191,315
In-kind contributions	8,159,216	-	8,159,216
Other revenue	(117,435)	-	(117,435)
Net assets released from donor restrictions	99,851,644	(99,851,644)	-
Total revenue	115,704,299	30,517,071	146,221,370
EXPENSES			
Program Services:			
Cambodia Programs	1,087,274	-	1,087,274
Democratic Republic of Congo Programs	(22,423)	-	(22,423)
Haiti Programs	4,945,626	-	4,945,626
Kenya Programs	4,243,543	-	4,243,543
Nigeria Programs	53,325,961	-	53,325,961
Other Country and Strategic Programs	4,200,550	-	4,200,550
Pakistan Programs	1,634,869	-	1,634,869
Somalia Programs	14,161,914	-	14,161,914
South Sudan Programs	12,574,538	-	12,574,538
Tanzania Programs	170,629	-	170,629
Uganda Programs	6,894,398	-	6,894,398
Total program services	103,216,879	-	103,216,879
Supporting Services:			
Program Support	4,879,189	-	4,879,189
Management and General	4,010,235	-	4,010,235
Fundraising	2,426,647	-	2,426,647
Total supporting services	11,316,071	-	11,316,071
Total expenses	114,532,950	-	114,532,950
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	(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	-	(546,650)	(546,650)
CHANGES IN NET ASSETS	$ (6,557,578)	$ 24,251,685	$ 17,694,107

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Without Donor Restrictions						
		Management Designated	Board Designated				
	Undesignated	Program Development	Emergency Fund	Total Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
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	(6,557,578)	-	-	-	(6,557,578)	24,251,685	17,694,107
Net assets at December 31, 2018	2,793,561	310,000	450,000	760,000	3,553,561	93,020,039	96,573,600
Changes in net assets	3,246,242	-	-	-	3,246,242	(28,134,244)	(24,888,002)
NET ASSETS AT DECEMBER 31, 2019	**$ 6,039,803**	**$ 310,000**	**$ 450,000**	**$ 760,000**	**$ 6,799,803**	**$ 64,885,795**	**$ 71,685,598**

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services						
	Cambodia Programs	Ethiopia Programs	Haiti Programs	Kenya Programs	Nigeria Programs	Other Country and Strategy Programs	Somalia Programs
Personnel:							
US staff	$ 67,579	$ -	$ -	$ -	$ 30,852	$ 335,936	$ -
Other U.S. payroll	18,539	380,174	203,053	58,995	-	179,219	281,297
Fringe benefits	75,815	316,428	319,495	12,719	4,327	72,394	216,309
National field staff	446,706	4,614,199	1,479,655	1,674,388	-	-	4,497,546
Office running costs and services:							
Insurance	315	20,830	-	-	-	-	1,391
Rent and utilities	39,616	223,943	133,621	69,548	-	16,341	458,530
Professional fees	1,100	33,513	19,667	5,820	-	(14,414)	22,482
Travel	817	-	3,851	15,679	543	97,214	334,938
Telecommunications	7,048	87,375	55,722	26,059	-	1,188	119,096
Postage and custom fees	343	395	-	1,641	-	77	3,585
Finance charges	4,565	21,887	54,937	13,151	-	-	196,409
Meeting expenses	774	4,964	2,437	-	-	19,706	774
Human resources	-	-	-	-	-	75	-
Office equipment and supplies:							
Office supplies	9,053	181,736	42,476	31,325	-	9,003	160,600
Depreciation and amortization	-	16,114	73,628	-	-	-	10,767
Equipment rental and maintenance	25	13,366	679	3,328	-	-	1,945
Public awareness expenses:							
External relations	-	-	-	-	-	-	-
Project Logistics:							
Vehicles	11,818	1,364,307	588,471	325,934	-	-	760,816
Radios	-	7,641	-	-	-	-	239
Warehouse	-	362,188	19,501	29,705	-	-	7,250
Electrical systems	72	63,420	13,896	1,031	-	-	9,242
Freight	-	101,967	5,768	56,189	-	-	252,621
Security	-	-	-	-	-	-	-
Logistics library	-	5	-	-	-	-	-
Project expenses:							
Food	-	907,283	-	-	-	-	98,739
Nutrition	15,120	119,835	-	2,145,393	-	-	639,712
Health	-	56,968	-	745,890	-	-	1,337,876
Food security	2,800	29,830	-	-	-	-	1,911,228
Non consumables	-	746,967	954,684	20,141	-	-	964,131
Watsan	17,139	355,497	123,504	73,767	-	-	756,357
Training	335,476	352,584	57,439	456,129	-	-	631,152
Other	25,212	121,612	(8,458)	8,311	-	(4,075)	37,016
Subcontracts:							
Subcontracts to partners	-	115,035	1,849,305	596,806	17,213,654	3,075,652	-
Network support costs	-	-	-	-	-	-	-
Others:							
Exceptional expenses	100	3,256	-	184	-	20,678	24,109
TOTAL	**$ 1,080,032**	**$ 10,623,319**	**$ 5,993,331**	**$ 6,372,133**	**$ 17,249,376**	**$ 3,808,994**	**$ 13,736,157**

South Sudan Programs	Tanzania Programs	Uganda Programs	Total Program Services	Supporting Services: Program Support	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
$ -	$ -	$ -	$ 434,367	$ 2,551,114	$ 1,365,628	$ 1,130,506	$ 5,047,248	$ 5,481,615
838,219	267	240,756	2,200,519	1,319,743	779,259	847,578	2,946,580	5,147,099
870,934	58,163	179,192	2,125,776	735,827	393,126	325,441	1,454,394	3,580,170
5,211,477	131,495	1,536,789	19,592,255	-	-	-	-	19,592,255
-	-	-	22,536	-	72,098	-	72,098	94,634
579,667	22,849	132,895	1,677,010	53,260	615,409	(20)	668,649	2,345,659
23,688	1,120	46,417	139,393	132,900	224,417	43,338	400,655	540,048
310,650	11,734	17,406	792,832	420,048	76,733	51,139	547,920	1,340,752
224,649	1,397	71,231	593,765	19,252	56,005	838	76,095	669,860
-	2	524	6,567	887	2,719	3,026	6,632	13,199
99,322	2,449	6,342	399,062	2,756	403,668	30,773	437,197	836,259
-	-	110	28,765	82,244	20,610	21,278	124,132	152,897
-	-	-	75	17,155	127	343	17,625	17,700
120,617	10,315	57,427	622,552	110,499	114,211	16,629	241,339	863,891
-	-	-	100,509	3,637	135,881	-	139,518	240,027
3,365	1,287	836	24,831	12,577	-	-	12,577	37,408
-	-	-	-	3,866	110,953	760,800	875,619	875,619
490,076	45,194	501,246	4,087,862	343	-	-	343	4,088,205
19,771	-	-	27,651	-	-	-	-	27,651
116,243	2,760	44,470	582,117	-	-	-	-	582,117
180,429	130	3,670	271,890	597	-	-	597	272,487
865,208	-	9,012	1,290,765	46,299	-	-	46,299	1,337,064
150	-	-	150	-	-	-	-	150
-	-	-	5	-	-	-	-	5
25,237	165	897,948	1,929,372	-	-	-	-	1,929,372
2,326,885	13,086	2,527	5,262,558	-	-	-	-	5,262,558
60,211	35,383	4,604	2,240,932		-	-	-	2,240,932
35,816	-	115,470	2,095,144	-	-	-	-	2,095,144
409,578	391	69,993	3,165,885	-	-	-	-	3,165,885
228,768	52	396,392	1,951,476	-	-	-	-	1,951,476
248,294	63,463	544,335	2,688,872	-	-	-	-	2,688,872
43,759	6,086	80,751	310,214	2,809	30	-	2,839	313,053
-	-	1,664,497	24,514,949	-	-	-	-	24,514,949
-	-	-	-	-	410,739	-	410,739	410,739
60,861	-	113	109,301	200	161,922	-	162,122	271,423
$ 13,393,874	**$ 407,788**	**$ 6,624,953**	**$ 79,289,957**	**$ 5,516,013**	**$ 4,943,535**	**$ 3,231,669**	**$ 13,691,217**	**$ 92,981,174**

ACTION AGAINST HUNGER - USA

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

	Program Services						
	Cambodia Programs	Democratic Republic of Congo Programs	Haiti Programs	Kenya Programs	Nigeria Programs	Other Country and Strategy Programs	Pakistan Programs
Personnel:							
US staff	$ 88,672	$ -	$ -	$ -	$ 31,142	$ 508,044	$ -
Other U.S. payroll	(1,659)	(25,942)	246,372	25,105	1,673,106	9,403	33,631
Fringe benefits	102,006	-	173,006	12,977	1,757,799	120,595	35,370
National field staff	401,973	-	1,830,087	2,099,881	7,348,459	(1,102)	881,556
Office running costs and services:							
Insurance	130	-	-	(909)	-	-	-
Rent and utilities	27,300	-	189,461	143,316	480,899	19,098	82,614
Professional fees	568	-	17,631	11,189	390,938	29,169	-
Travel	7,091	-	18,549	5,025	161,669	107,645	14,363
Telecommunications	7,051	-	54,160	34,022	232,495	762	10,155
Postage and custom fees	199	-	-	1,295	31,616	2,718	2,386
Finance charges	2,505	-	25,433	9,068	841,759	231	8,742
Meeting expenses	-	-	2,023	1,462	-	15,304	10,097
Human resources	-	-	-	-	-	-	-
Office equipment and supplies:							
Office supplies	21,956	-	52,808	60,130	659,389	21,712	5,689
Depreciation and amortization	-	-	107,871	-	-	-	-
Equipment rental and maintenance	403	-	1,644	710	29,011	-	1,283
Public awareness and information:							
External relations	-	-	-	-	-	-	-
Project logistics:							
Vehicles	36,817	-	655,792	401,977	1,959,902	-	132,221
Radios	-	-	350	-	21,223	-	-
Warehouse	-	-	22,587	170	67,360	-	22,543
Electrical systems	-	-	16,580	289	296,644	-	5,490
Freight	-	-	13,751	9,864	235,512	-	21,601
Security	-	-	178	-	-	-	-
Project expenses:							
Food	-	-	11,470	851	9,148,492	(112,416)	72
Nutrition	213	-	1,233	-	52,142	10,825	98,349
Health	-	-	-	9,636	219,875	(183)	988
Food security	820	-	4,963	-	20,178,435	(16,221)	11,125
Non consumables	24	-	473,793	208,779	1,014,035	-	54,626
Watsan	10,743	-	113,752	180,930	1,501,071	(1,260)	24,641
Training	165,766	-	65,945	678,167	2,150,796	88,610	61,618
Donated goods and services	214,547	-	310,010	40,940	2,812,603	544	78,383
Subcontracts:							
Subawards and subcontracts to partners	-	-	(173,941)	308,703	(13,795)	3,356,973	-
Other expenses:							
Exceptional expenses	149	3,519	710,118	(34)	43,384	40,099	37,326
TOTAL	**$ 1,087,274**	**$ (22,423)**	**$ 4,945,626**	**$ 4,243,543**	**$53,325,961**	**$ 4,200,550**	**$ 1,634,869**

					Supporting Services				
Somalia Programs	South Sudan Programs	Tanzania Programs	Uganda Programs	Total Program Services	Program Support	Management and General	Fundraising	Total Supporting Services	Total Expenses
$ -	$ -	$ -	$ -	$ 627,858	$ 2,692,546	$ 1,226,645	$ 939,615	$ 4,858,806	$ 5,486,664
176,985	1,000,468	826	261,622	3,399,917	329,447	530,701	401,161	1,261,309	4,661,226
188,466	997,281	62,067	380,909	3,830,476	842,823	204,795	255,304	1,302,922	5,133,398
3,588,737	3,908,314	14,790	1,545,034	21,617,729	311,155	119,795	-	430,950	22,048,679
561	-	-	-	(218)	-	70,083	-	70,083	69,865
431,408	648,110	3,962	135,633	2,161,801	64,423	672,151	-	736,574	2,898,375
22,052	56,775	813	42,971	572,106	60,571	(161,828)	45,705	(55,552)	516,554
312,746	376,984	6,819	19,145	1,030,036	358,797	151,786	30,362	540,945	1,570,981
110,043	199,988	534	75,934	725,144	14,318	55,728	637	70,683	795,827
268	920	122	8	39,532	990	3,735	9,504	14,229	53,761
205,041	95,069	821	8,351	1,197,020	2,205	295,341	41,213	338,759	1,535,779
4,998	-	-	5,080	38,964	61,630	24,860	24,518	111,008	149,972
-	-	-	-	-	10,516	14	-	10,530	10,530
173,915	157,213	1,436	111,459	1,265,707	75,700	123,229	37,735	236,664	1,502,371
16,848	-	-	-	124,719	24,884	173,300	-	198,184	322,903
2,321	2,862	33	3,872	42,139	1,497	1,497	-	2,994	45,133
-	-	-	-	-	1,905	87,633	640,893	730,431	730,431
646,897	712,185	37,410	430,110	5,013,311	3,380	22,101	-	25,481	5,038,792
4,176	45,418	-	-	71,167	-	-	-	-	71,167
17,444	98,478	36	4,647	233,265	-	-	-	-	233,265
36,735	144,113	-	27,732	527,583	272	22	-	294	527,877
502,670	841,431	7	27,350	1,652,186	-	-	-	-	1,652,186
-	4,174	-	-	4,352	-	-	-	-	4,352
376,465	27,243	1,505	11,880	9,465,562	-	-	-	-	9,465,562
299,741	25,968	-	5,099	493,570	-	-	-	-	493,570
398,851	169,420	-	4,739	803,326	-	-	-	-	803,326
487,989	20,633	-	150,533	20,838,277	-	-	-	-	20,838,277
3,174,668	178,025	-	138,413	5,242,363	-	-	-	-	5,242,363
1,073,284	339,000	-	1,153,896	4,396,057	-	-	-	-	4,396,057
782,094	129,558	20,998	861,133	5,004,685	7,798	-	-	7,798	5,012,483
1,147,284	2,242,799	17,519	1,463,879	8,328,508	749	-	-	749	8,329,257
-	13,672	-	2,990	3,494,602	-	403,017	-	403,017	3,897,619
(20,773)	138,437	931	21,979	975,135	13,583	5,630	-	19,213	994,348
$ 14,161,914	**$ 12,574,538**	**$ 170,629**	**$ 6,894,398**	**$ 103,216,879**	**$ 4,879,189**	**$ 4,010,235**	**$ 2,426,647**	**$ 11,316,071**	**$ 114,532,950**

ACTION AGAINST HUNGER - USA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (24,888,002)	$ 17,694,107
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	240,027	322,903
Amortization of right-of-use asset	628,970	628,970
Increase in net fixed assets attributable to strategic country exchange	(18,560)	-
Decrease (increase) in:		
Grants receivable	20,156,956	(17,624,621)
Travel advances and other receivables	2,278,044	(3,286)
Prepaid expenses and other assets	41,599	(28,570)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,094,122	(1,017,078)
Due to donors	3,834,837	-
Provision for unanticipated loss	(2,883,000)	3,499,900
Due to Network	1,852,052	(5,437,645)
Operating lease obligation	(648,348)	(574,297)
Net cash provided (used) by operating activities	1,688,697	(2,539,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment, vehicles and leasehold improvements	-	(128,602)
Net cash used by investing activities	-	(128,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	6,500,000	9,000,000
Payments on line of credit	-	(9,000,000)
Net cash provided by financing activities	6,500,000	-
Net increase (decrease) in cash and cash equivalents	8,188,697	(2,668,219)
Cash and cash equivalents at beginning of year	13,793,391	16,461,610
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 21,982,088	$ 13,793,391
SUPPLEMENTAL INFORMATION:		
Interest Paid	$ 246,981	$ 88,672

See accompanying notes to financial statements.

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 of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are 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.

New accounting pronouncements adopted -

During 2019, Action Against Hunger - USA adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way Action Against Hunger - USA recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Action Against Hunger - USA has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, Action Against Hunger - USA adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Action Against Hunger - USA adopted the ASU using a modified prospective basis.

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

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. Bank deposit accounts 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 had $4,558,844 and $4,288,989 of cash and cash equivalents held in foreign countries at December 31, 2019 and 2018. The majority of funds held in foreign countries are uninsured.

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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.

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.

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.

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

Right-of-use asset (continued) -

As stated in Note 9, amortization of the right-of-use asset is included in rent and utilities 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, 2019 and 2018, 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.

Revenue recognition-

Grants and contributions -

The majority of Action Against Hunger - USA's revenue is received through grants and contributions from U.S. and foreign governments, international organizations and other entities.

Action Against Hunger - USA performs an analysis of the individual grants and contributions to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed nonreciprocal or reciprocal.

Grants and contributions are recognized in the appropriate category of net assets in the period received. Grants and contributions that are deemed to be nonreciprocal in nature that have donor restrictions are recorded as "with donor restrictions" revenue until such actual expenses have been incurred or through the passage of time that satisfies the donor-imposed restrictions.

Upon the satisfaction of donor-imposed restrictions, net assets are reclassified from "with donor restrictions" revenue to "without donor restrictions" revenue. Funds received from donor restricted grants and contributions in excess of expenses incurred for for which the time restriction has not passed are shown as net assets with donor restrictions in the accompanying financial statements.

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.

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

Provision for unanticipated losses -

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

As of December 31, 2019, management has estimated the provision to be $1,500,000. The provision was reduced by approximately $2.8 million during 2019 due to the effects of the strategic country exchange discussed in Note 3, which resulted in a significant decrease in the volume of programmatic activities during 2019.

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.

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.

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The overall potential impact Action Against Hunger - USA's operations is unknown at this time.

2. GRANTS RECEIVABLE

As of December 31, 2019 and 2018, contributors to Action Against Hunger - USA have made unconditional written promises to give, of which $71,742,636 and $92,038,940, respectively, remained due and outstanding.

2. GRANTS RECEIVABLE (Continued)

Amounts due beyond one year of the Statements of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 3%.

Following is a schedule of amounts due, by year, as of December 31, 2019 and 2018:

	2019	2018
Less than one year	$ 51,222,626	$ 76,155,516
One to five years	20,520,010	15,883,424
Total	71,742,636	92,038,940
Less: Allowance to discount balance to present value	(630,078)	(769,426)
NET RECEIVABLES	**$ 71,112,558**	**$ 91,269,514**

3. 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 Toronto. 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, 2019 and 2018, Action Against Hunger - USA has recorded a net balance due to the network of $5,370,527 and $3,518,475, 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 Network implements programs. These exchanges were a part of the Action Against Hunger Network's global strategy designed to align global operations based on regions. Following is a description of the transactions associated with these exchanges reflected with the Action Against Hunger - USA' financial statements for the years ended December 31, 2019 and 2018.

Effective January 1, 2019 ACF-France relinquished control over operations in the country of Ethiopia 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 $2,832,023, representing the net unexpended value of Ethiopia grant awards as of January 1, 2019. As of the transfer date, Action Against Hunger - USA assumed the value of all assets and liabilities of the Ethiopia field office, which resulted in a net increase in net assets without donor restrictions of $498,902.

Effective January 1, 2019, Action Against Hunger - USA relinquished control over operations in the country of Nigeria to ACF-France. As a result of this transfer, Action Against Hunger - USA recorded a decrease in net assets with donor restrictions of $53,753,005, representing the net unexpended value of Nigeria grant awards as of January 1, 2019. As of the transfer date, Action Against Hunger - USA was relieved of the value of all assets and liabilities of the Nigeria field office, which resulted in a net decrease in net assets without donor restrictions of $288,392.

3. ACTION AGAINST HUNGER NETWORK (Continued)

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.

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 2019 and 2018, Action Against Hunger - USA recorded an increase in net assets without donor restrictions of $6,038,160, and a decrease in net assets without donor restrictions of $2,845,708, respectively, associated with the indirect cost sharing component of the country exchanges.

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.

During 2018, Action Against Hunger - USA recorded a decrease in net assets without donor restrictions of $89,116 associated with the Democratic Republic of the Congo country exchange, in connection with the settlement of various intercompany balances between Action Against Hunger - USA and ACF-France.

In 2018, Action Against Hunger - USA recorded a decrease in net assets without donor restrictions of $966,907 in connection with unsettled intercompany balances between Action Against Hunger - USA and ACF-France pertaining to the country exchanges.

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, 2019 and 2018.

4. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, vehicles and leasehold improvements consisted of the following at December 31, 2019 and 2018:

	2019	2018
Furniture	$ 281,440	$ 281,440
Equipment	709,615	740,834
Vehicles	1,268,065	1,421,322
Leasehold improvements	292,481	292,481
Landlord construction	1,050,330	1,050,330
	3,601,931	3,786,407
Less: Accumulated depreciation and amortization	(2,629,648)	(2,592,657)
FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET	**$ 972,283**	**$ 1,193,750**

Depreciation and amortization expense totaled $240,027 and $322,903, for the years ended December 31, 2019 and 2018, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
Cambodia Programs	$ 297,896	$ 1,263,064
Ethiopia Programs	5,905,101	-
Haiti Programs	17,232,401	7,994,763
Kenya Programs	1,652,052	3,372,557
Nigeria Programs	-	55,050,937
Other Country and Strategic Programs	6,631,668	9,407,472
Somalia Programs	13,815,385	8,368,268
South Sudan Programs	5,256,822	4,151,423
Tanzania Programs	934,325	26,770
Uganda Programs	13,160,145	3,384,785
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 64,885,795**	**$ 93,020,039**

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, 2019 and 2018:

	2019	2018
Purpose restrictions accomplished:		
Cambodia Programs	$ 880,087	$ 765,085
Ethiopia Programs	9,782,671	-
Haiti Programs	9,347,867	3,661,437
Kenya Programs	3,434,910	4,192,504
Nigeria Programs	17,222,573	55,819,211
Other Country and Strategic Programs	4,027,975	4,503,481
Pakistan Programs	-	1,437,499
Somalia Programs	12,371,771	13,573,659
South Sudan Programs	10,037,540	10,085,737
Tanzania Programs	271,832	-
Uganda Programs	5,882,949	5,813,031
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 73,260,175**	**$ 99,851,644**

6. DESIGNATED NET ASSETS

At December 31, 2019 and 2018, 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, 2019 and 2018 totaled $450,000 and $450,000, respectively.

6. DESIGNATED NET ASSETS (Continued)

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, 2019 and 2018 totaled $310,000 and $310,000, respectively.

7. LIQUIDITY AND AVAILABILITY

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

	2019	2018
Cash and cash equivalents	$ 21,982,088	$ 13,793,391
Grants receivable	71,112,558	91,269,514
Travel advances and other receivables	854,793	3,132,837
Subtotal financial assets available within one year	93,949,439	108,195,742
Less: Donor restricted funds	(64,885,795)	(93,020,039)
Less: Board designated funds	(760,000)	(760,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 28,303,644**	**$ 14,415,703**

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, 2019 and 2018 Action Against Hunger - USA had financial assets equal to approximately four and two months of operating expenses, respectively (including programmatic expenses). In addition, Action Against Hunger - USA has a line of credit agreement (as further discussed in Note 11) which allows for additional available borrowings up to $7,000,000.

8. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following at December 31, 2019 and 2018.

	2019	2018
Project expenses (food, transportation and medical supplies):		
Cambodia Programs	$ -	$ 208,875
Haiti Programs	-	303,593
Ethiopia Programs	966,742	-
Nigeria Programs	-	2,723,096
Pakistan Programs	-	53,301
Somalia Programs	1,699,008	1,118,195
South Sudan Programs	2,647,160	2,201,711
Tanzania Programs	1,301	17,519
Uganda Programs	898,635	1,315,615
	6,212,846	7,941,905
Public information and education, including fundraising	338,379	217,311
TOTAL IN-KIND CONTRIBUTIONS	**$ 6,551,225**	**$ 8,159,216**

9. 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, 2019and 2018, the unamortized right-of-use asset was $6,918,670 and $7,547,640, respectively and the unamortized operating lease liability was $8,409,271 and $9,057,619, respectively. The lease cost, including imputed interest and amortization of the right-of-use asset for the years ended December 31, 2019 and 2018 was $629,444 and $665,869, respectively.

The right-of-use asset at December 31, 2019 and 2018 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 $1,050,330. These costs are included in leasehold improvements, net of related amortization in Note 4 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.

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

Year Ending December 31,	
2020	$ 660,063
2021	672,535
2022	685,985
2023	699,705
2024	713,699
Thereafter	4,977,284
	$ 8,409,271

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

10. 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.

10. RETIREMENT PLAN (Continued)

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, 2019 and 2018, total contributions to the plan were $133,090 and $152,545, respectively.

11. LINE OF CREDIT AND STANDBY LETTER OF CREDIT

Action Against Hunger - USA has access to a $7,000,000 bank line of credit bearing interest at a per annum rate equal to two percent (2.00%) above the LIBOR Rate.

The outstanding balance on the line of credit was $6,500,000 as of December 31, 2019. There was no outstanding balance on the line of credit at December 31, 2018. 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 October 31, 2021.

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 as a security deposit to the landlord.

12. 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 $147,709 and $93,763 for the years ended December 31, 2019 and 2018, respectively.

13. 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 2019. 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 Organization 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.

13. CONTINGENCIES (Continued)

Foreign Government, International Organization and Other Grantor awards (continued) -

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, 2019 and 2018, Action Against Hunger - USA had cash, property, and equipment and receivables in various countries in Africa and Asia, totaling approximately $5,100,000 and $7,000,000, which represents approximately 4.97% and 5.83% of Action Against Hunger - USA's total assets as of December 31, 2019 and 2018, respectively.

14. SUBSEQUENT EVENTS

In preparing these financial statements, Action Against Hunger - USA has evaluated events and transactions for potential recognition or disclosure through May 25, 2021, 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, 2019

Federal Granting Agency and Program Title	Federal CFDA Number	Award Number / Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
United States Agency for International Development:				
Improving Globally the Technical Response Capacity of Nutrition Partners in SMART with a Focus on the Middle East and North Africa	98.001	720FDA18GR00315	$ 373,696	$ 408,380
Integrate Life-Saving Emergency Response to Conflict Affected IDPs and Host Communities in Oromia Region and Dire Dawa Administrative City, Ethiopia	98.001	720FDA19GR00103	-	496,762
Strengthen and Expand Activities to Improve Hygiene Programming in Humanitarian Emergencies	98.001	720FDA18GR00255	-	28,632
Emergency Targeted Supplementary Feeding Support for Drought and Flood Prone Woredas in Somali Region, Ethiopia	98.001	72DFFP18CA00001	-	105,706
Integrated Emergency and Recovery Response to Support Vulnerable Communities Affected by Drought in Mandera and West Pokot Counties	98.001	720FDA19GR00134	-	347,165
Multi-Sectoral Humanitarian Response in Borno and Yobe States, Nigeria	98.001	720FDA18GR00182	4,954,624	4,954,624
Enhancing Food Security in Yobe State, North-Eastern Nigeria	98.001	72DFFP18GR00022	1,651,494	1,665,000
Improving Food and Nutrition Security in Borno State, North-Eastern Nigeria	98.001	72DFFP18GR00051	10,607,536	10,636,055
Identify Prevalence of and Risk Factors for Relapse After Recovery from Severe Acute Malnutrition Globally	98.001	720FDA19GR00278	-	16,689
Surveillance and Evaluation Team and Multi-Sectoral Emergency Team: An Integrated Emergency Response in South Sudan	98.001	720FDA18GR00142	-	3,180,911
Surveillance and Evaluation Team (SET) and Multi-Sectoral Emergency Team (MET & SURGE): An Integrated Emergency Response in South Sudan	98.001	720FDA19GR00111	-	1,195,541
Humanitarian Nutrition Professional Development Initiative: Building a New Generation of Humanitarians	98.001	AID-OFDA-G-15-00217	116,397	116,397
Developing Next Generation of Humanitarian Leaders	98.001	AID-OFDA-G-17-00032	438,661	459,257
Technical Rapid Response Team (Tech RRT)	98.001	720FDA18FR00010	-	24,025
Supporting Humanitarian Actors to Increase Scale and Quality of Cash Transfer Programming in West Africa	98.001	720FDA18GR00234	531,746	571,666
Identifying Prevalence of and Risk Factors for Relapse After Recovery from Severe Acute Malnutrition Globally	98.001	720FDA19GR00278	-	1,126

ACTION AGAINST HUNGER - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Granting Agency and Program Title	Federal CFDA Number	Award Number / Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
United States Agency for International Development (Continued):				
CaLP 2017-2019 and CaLP Americas Support for Action Against Hunger Global Award	98.001	AID-FFP-G-17-00060	$ 268,495	$ 790,308
Total CFDA #98.001 USAID Foreign Assistance for Programs Overseas			18,942,649	24,998,244
Total United States Agency for International Development			18,942,649	24,998,244
United States Department of State:				
Contribute to the Reduction of the Risk of Morbidity, Mortality Amongst South Sudanese Refugees and Host Community Population in Gambella	19.517	SPRMCO18CA0128	-	845,488
Integrated Emergency Nutrition, IYCF, FSL and Psychosocial Support to South Sudanese Refugees and Host Community in Gambella Region, Ethiopia	19.517	SPRMCO19CA0092	-	131,631
Total CFDA #19.517 USDOS Overseas Refugee Assistance Programs for Africa			-	977,119
To Enhance Accountability of Humanitarian Nutrition Organizations Towards GBV and Gender Equality	19.522	SPRMCO18CA0099	653,561	797,900
Total CFDA #19.522 Overseas Refugee Assistance Programs for Strategic Global Priorities			653,561	797,900
Total United States Department of State			653,561	1,775,019
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 19,596,210**	**$ 26,773,263**

ACTION AGAINST HUNGER - USA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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, 2019

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:

CFDA Number	Name of Federal Program
98.001	USAID - Foreign Assistance for Programs Overseas
19.517	Overseas Refugee Assistance Programs for Africa
19.522	Overseas Refugee Assistance Programs for Strategic Global Priorities

8). Dollar threshold used to distinguish between Type A and Type B programs: **$803,198**

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, 2019**

Section II - Financial Statement Findings

Please refer to Federal Award Findings 2019-001 and 2019-002.

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

Finding 2019-001: Field Office Accounting and Reconciliations

Information on the Federal Programs: CFDA 98.001, CFDA 19.517 and CFDA 19.522

Condition: During the 2019 audit, it was noted that various significant adjustments to the preliminary trial balance were necessary for a number of field cash, advance, and liability accounts in order to properly state their balances as of December 31, 2019. Given that the audit work for 2019 was not performed until January, 2021, the need for significant adjustments of these accounts during the course of the audit indicates that there is a substantial lapse in the accounting functions within the field offices of Action Against Hunger – USA with regards to account reconciliations and monthly and annual closeout procedures.

Criteria or Specific Requirement: Title 2 CFR 200 Section 200.303 “Internal Controls” requires recipients of federal funds to establish internal controls that should be in compliance with guidance in the “Integrated Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause: As noted in the prior year finding 2018-001, Action Against Hunger – USA has experienced a transitional period over the past several years, including significant turnover within the HQ accounting department as well as restructuring of global operations. The combined stresses created by this situation resulted in weakened oversight of field office accounting.

Effect or Potential Effect: Failure to routinely reconcile field office accounts, particularly cash, increases the risk of inadvertent losses of financial assets, misappropriation, unallowable or questioned costs, and damage to organizational reputation and donor relationships.

Questioned Costs: None

Context: While adjustments were posted to field office balance sheet accounts for several countries during the audit, the most significant issues pertained to unreconciled cash accounts in Ethiopia and stale unreconciled advance balances in Haiti.

Identification as a Repeat Finding: N/A

Recommendation: As Action Against Hunger – USA has successfully reorganized its HQ accounting department and made significant strides towards overhauling operations and internal controls at the HQ level, we recommend that, as a next step, increased focus be placed on revisiting policies and procedures at the field office level. We also suggest that field office staffing be evaluated to determine whether the current field staff have the appropriate training, experience and competence to perform their duties. Furthermore, we believe that the HQ finance department could be further strengthened with the addition of a strong field finance manager who could serve as a focal point for communication and oversight of field office accounting.

Views of Responsible Officials: In February 2021, Action Against Hunger – USA hired a Director of Finance and Administration in the Kenya regional field office.

ACTION AGAINST HUNGER - USA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Finding 2019-001: Field Office Accounting and Reconciliations (continued)

Views of Responsible Officials (continued): The initial responsibilities of this director will be to thoroughly review existing field operations, policies and procedures and internal controls to determine areas needing improvement. In addition, this director will be visiting each field office location to perform an in-depth evaluation of staff competencies and capabilities. This position will also act as the focal point of communication with the HQ office on all field-related finance and logistics issues.

Finding 2019-002: Staffing and Management of the Finance/Accounting Department

Condition: Repeat of finding 2018-001. Please refer to Section IV - Prior Year Findings and Questioned Costs with Current Year Status.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

Finding 2018-001: Staffing and Management of the Finance/Accounting Department

Information on the Federal Programs: CFDA 98.001 and CFDA 19.522

Condition: During the 2018 audit, we encountered significant difficulties in obtaining basic supporting documentation, primarily concerning the grant awards AAH has received from its various donors (such as records of amounts obligated and spent, and collections of funds on existing awards). We also observed an extreme lack of organization and coordination within the finance and accounting department of Action Against Hunger – USA, both with regards to the audit process and with regards to basic daily operations. We noted a variety of significant issues, including wide-spread inaccuracies within the financial reporting process, poor or absent communication between management and staff, and a fundamental lack of adequate oversight of the accounting and financial reporting functions.

Recommendation: Given the unfortunate circumstances described above, we recommend the following actions be taken, and believe that the immediate implementation of such actions is of paramount importance.

- Action Against Hunger – USA must undertake to hire a new Chief Financial Officer who has extensive experience in grant accounting and the international NGO/humanitarian aid agency environment. Adequate resources must be designated to this individual such that they may be able to hire a team of equally qualified supporting staff who have the ability and willingness to perform detailed financial analysis, interpret data and act with sound judgment.
- It is our belief that Action Against Hunger - USA's continued use of separate accounting systems for its headquarters and its field operations is no longer sustainable and therefore steps must be taken to implement a global accounting software solution as soon as possible.
- Action Against Hunger – USA must immediately commence a detailed historical analysis of its donor financial reporting and ensure that such reporting is properly reconciled to its accounting system. Such a project should involve coordination between the finance/accounting department, programs department, and development department, and should be given the utmost priority and dedication in terms of internal resources.
- The HQ finance/accounting department should perform a complete and thorough overhaul of its current accounting policies and procedures and develop and implement a new regime of internal controls in accordance with the COSO Internal Control Integrated Framework. The new policies and procedures should be designed to ensure both timely and accurate financial reporting, as well as compliance with the requirements associated with Action Against Hunger - USA's donor awards.

ACTION AGAINST HUNGER - USA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section IV - Prior Year Findings and Questioned Costs With Current Year Status (Continued)

Finding 2018-001: Staffing and Management of the Finance/Accounting Department (continued)

Recommendation (continued):

- Consideration should be given to areas including but not limited to the documentation and allocation of expenditures, financial and programmatic reporting, the management of cash and timing of drawdowns on open awards, the administration, monitoring and reporting of subgrants, adherence to procurement and vendor screening requirements, and the maintenance of equipment records.

December 31, 2019 Status: Upon the conclusion of the 2018 audit in early 2020, management of Action Against Hunger - USA took immediate steps to address the conditions identified in the finding. The organization hired a new CFO in January, 2020 as well as a Controller and other supporting finance and accounting staff shortly thereafter. The new finance team then commenced the process of overhauling the accounting policies and procedures and performing detailed and comprehensive reconciliations of its accounts, investing significant time and resources into this endeavor. Additionally, a plan of action to implement a cloud-based version of the global accounting system to its field offices has been developed and these efforts are expected to begin during fiscal year 2021. Accordingly, we believe that management has acknowledged the severity of the prior year finding and made significant strides towards remedying the situation. However, as the corrective action was not able to take place until 2020, it must be noted that the conditions identified during the 2018 audit continued to exist throughout fiscal year 2019 and represented a material weakness. It should also be noted that, while the conditions identified in the 2018 finding directly led to a significant delay in the commencement of the 2019 audit, the 2019 audit process was vastly improved and there was substantial improvement in the accuracy of financial reporting, organizational communication and oversight. We do recommend that management continue to focus on reconciliations of donor reporting to the accounting system, maintenance of accurate restricted net asset schedules and preparation of the schedule of expenditures of federal awards.

Views of Responsible Officials: The HQ finance team, in coordination with members of our grant management and compliance and risk management teams, has begun the process of converting each of our field offices to a global cloud-based ERP platform. This involves a series of intense interactive sessions with our ERP consultants to entirely rebuild our financial operating and reporting system. While we anticipate this will significantly enhance our financial reporting and analysis capabilities, we are also looking to maximize the grants management and customer relationship management components of the platform. The new ERP platform will allow a seamless consolidation of organizational operations and allow more robust reporting across a wider spectrum of transactional dimensions. We anticipate beginning training and implementation in our field offices during Q4 2021.

CPAs & ADVISORS

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
New York, New York

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, 2019, 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 May 25, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as Finding 2019-002 in the accompanying Schedule of Finding and Questioned Costs to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 to be a significant deficiency.

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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-001 and 2019-002.

Action Against Hunger's Response to Finding

Action Against Hunger - USA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Action Against Hunger - USA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result 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.

Gelman Rozenberg & Freedman

May 25, 2021

CPAs & ADVISORS

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
New York, New York

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, 2019. 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.

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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

Action Against Hunger - USA's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Action Against Hunger - USA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-002 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 to be a significant deficiency.

Action Against Hunger - USA's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Action Against Hunger - USA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Gelman Rosenberg & Freedman

May 25, 2021

ACTION AGAINST HUNGER - USA

INDIRECT RATE CALCULATION

FOR THE YEAR ENDED DECEMBER 31, 2019

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CPAs & ADVISORS

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, 2019.

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 a 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 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.

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Opinion

In our opinion, the statement of indirect rate calculation referred to above presents fairly, in all material respects, the indirect rate of Action Against Hunger - USA as of December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Gelman Rozenberg & Freedman

May 25, 2021

ACTION AGAINST HUNGER - USA

STATEMENT OF INDIRECT RATE CALCULATION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Indirect		
	Program Support	Management and General	Total
EXPENSES PER AUDITED FINANCIAL STATEMENTS			
Personnel:			
US staff	$ 2,551,114	$ 1,365,628	$ 3,916,742
Other U.S. payroll	1,319,743	779,259	2,099,002
Fringe benefits	735,827	393,126	1,128,953
Office running costs and services:			
Insurance	-	72,098	72,098
Rent and utilities	53,260	615,409	668,669
Professional fees	132,900	224,417	357,317
Travel	420,048	76,733	496,781
Telecommunications	19,252	56,005	75,257
Postage and custom fees	887	2,719	3,606
Finance charges	2,756	403,668	406,424
Meeting expenses	82,244	20,610	102,854
Human resources	17,155	127	17,282
Office equipment and supplies:			
Office supplies	110,499	114,211	224,710
Depreciation and amortization	3,637	135,881	139,518
Equipment rental and maintenance	12,577	-	12,577
Public awareness expenses:			
External relations	3,866	110,953	114,819
Project logistics:			
Vehicles	343	-	343
Electrical systems	597	-	597
Freight	46,299	-	46,299
Project expenses:			
Other	2,809	30	2,839
Subcontracts:			
Network support costs	-	410,739	410,739
Other expenses:			
Exceptional expenses	200	161,922	162,122
Subtotal	**$ 5,516,013**	**$ 4,943,535**	**$ 10,459,548**
Adjustments and reclassifications:			
Project logistics			(47,239)
Other project expenses			(2,839)
Network support costs			(410,739)
Exceptional expenses			(162,122)
TOTAL ALLOWABLE INDIRECT EXPENSES			**$ 9,836,609**

See accompanying notes to statement of indirect rate calculation.

ACTION AGAINST HUNGER - USA

STATEMENT OF INDIRECT RATE CALCULATION
FOR THE YEAR ENDED DECEMBER 31, 2019

DIRECT EXPENSES PER AUDITED FINANCIAL STATEMENTS

Program Services:	
Cambodia Programs	$ 1,080,032
Ethiopia Programs	10,623,319
Haiti Programs	5,993,331
Kenya Programs	6,372,133
Nigeria Programs	17,249,376
Other Country and Strategic Programs	3,808,994
Somalia Programs	13,736,157
South Sudan Programs	13,393,874
Tanzania Programs	407,788
Uganda Programs	6,624,953
	79,289,957
Supporting Services:	
Fundraising	3,231,669
Subtotal	82,521,626
Adjustments and reclassifications:	
Project logistics	47,239
Other project expenses	(53,627)
Pass-through grants (Note 3)	(24,514,949)
Grants managed in the field (Note 2)	(785,511)
In-kind expenses	(6,551,225)
Exceptional program expenses	(109,301)
TOTAL ALLOWABLE DIRECT EXPENSES	**$ 50,554,252**

INDIRECT RATE CALCULATION

$$\frac{\text{Total Allowable Indirect Expenses}}{\text{Total Allowable Direct Expenses}} = \frac{\$\ 9,836,609}{\$\ 50,554,252} \times 100 = \mathbf{19.46\%}$$

NOTES TO STATEMENT OF INDIRECT RATE CALCULATION
DECEMBER 31, 2019

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. PASS-THROUGH GRANTS

During 2019, Action Against Hunger - USA received restricted awards for programs in various countries which were sub-granted and managed by other organizations or other headquarters offices of the Action Against-Hunger Network. Accordingly, the costs associated with the aforementioned awards have been excluded from the accompanying Statement of Indirect Rate Calculation.

3. GRANTS MANAGED IN THE FIELD

During 2019, 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.

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Action Against Hunger - USA
Summary Schedule of Prior Year Audit Findings
May 25, 2021

In accordance with *Title 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements* under Section 200.511, Audit Findings follow-up, the following details the summary of prior year audit findings with current year status.

Federal Award Findings in accordance with 2 CFR 200.516:

Finding 2018-001: Sub-recipient Monitoring

Information on the Federal Programs: CFDA 98.001 and CFDA 19.522

Condition: During the 2018 audit, we encountered significant difficulties in obtaining basic supporting documentation, primarily concerning the grant awards Action Against Hunger - USA has received from its various donors (such as records of amounts obligated and spent, and collections of funds on existing awards). We also observed an extreme lack of organization and coordination within the finance and accounting department of Action Against Hunger – USA, both with regards to the audit process and with regards to basic daily operations. We noted a variety of significant issues, including wide-spread inaccuracies within the financial reporting process, poor or absent communication between management and staff, and a fundamental lack of adequate oversight of the accounting and financial reporting functions.

Status: Upon the conclusion of the 2018 audit in early 2020, management of Action Against Hunger - USA took immediate steps to address the conditions identified in the finding. The organization hired a new CFO in January, 2020 as well as a Controller and other supporting finance and accounting staff shortly thereafter. The new finance team then commenced the process of overhauling the accounting policies and procedures and performing detailed and comprehensive reconciliations of its accounts, investing significant time and resources into this endeavor. Additionally, a plan of action to implement a cloud-based version of the global accounting system to its field offices has been developed and these efforts are expected to begin during fiscal year 2021. Accordingly, significant strides have been taken towards remedying the situation identified in the prior year finding. However, as the corrective action was not able to take place until 2020, it must be noted that the conditions identified during the 2018 audit continued to exist throughout fiscal year 2019 and represented a material weakness. It should also be noted that, while the conditions identified in the 2018 finding directly led to a significant delay in the commencement of the 2019 audit, the 2019 audit process was vastly improved and there was substantial improvement in the accuracy of financial reporting, organizational communication and oversight.

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Action Against Hunger - USA
Corrective Action Plan
May 25, 2021

In accordance with *Title 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements* under Section 200.511, Audit Findings follow-up, the following details the corrective action plan to be taken for the findings noted in the December 31, 2019 audit.

Federal Award Findings in accordance with 2 CFR 200.516:

Finding 2019-001: Field Office Accounting and Reconciliations

Information on the Federal Programs: CFDA 98.001, CFDA 19.517 and CFDA 19.522

Condition: During the 2019 audit, it was noted that various significant adjustments to the preliminary trial balance were necessary for a number of field cash, advance, and liability accounts in order to properly state their balances as of December 31, 2019. Given that the audit work for 2019 was not performed until January, 2021, the need for significant adjustments of these accounts during the course of the audit indicates that there is a substantial lapse in the accounting functions within the field offices of Action Against Hunger – USA with regards to account reconciliations and monthly and annual closeout procedures.

Criteria or Specific Requirement: Title 2 CFR 200 Section 200.303 "Internal Controls" requires recipients of federal funds to establish internal controls that should be in compliance with guidance in the "Integrated Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause: As noted in the prior year finding 2018-001, Action Against Hunger – USA has experienced a transitional period over the past several years, including significant turnover within the HQ accounting department as well as restructuring of global operations. The combined stresses created by this situation resulted in weakened oversight of field office accounting.

Effect or Potential Effect: Failure to routinely reconcile field office accounts, particularly cash, increases the risk of inadvertent losses of financial assets, misappropriation, unallowable or questioned costs, and damage to organizational reputation and donor relationships.

Questioned Costs: None

Context: While adjustments were posted to field office balance sheet accounts for several countries during the audit, the most significant issues pertained to unreconciled cash accounts in Ethiopia and stale unreconciled advance balances in Haiti.

Identification as a Repeat Finding: N/A

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Recommendation: As Action Against Hunger – USA has successfully reorganized its HQ accounting department and made significant strides towards overhauling operations and internal controls at the HQ level, we recommend that, as a next step, increased focus be placed on revisiting policies and procedures at the field office level. We also suggest that field office staffing be evaluated to determine whether the current field staff have the appropriate training, experience and competence to perform their duties. Furthermore, we believe that the HQ finance department could be further strengthened with the addition of a strong field finance manager who could serve as a focal point for communication and oversight of field office accounting.

Views of Responsible Officials: In February 2021, Action Against Hunger – USA hired a Director of Finance and Administration in the Kenya regional field office. The initial responsibilities of this director will be to thoroughly review existing field operations, policies and procedures and internal controls to determine areas needing improvement. In addition, this director will be visiting each field office location to perform an in-depth evaluation of staff competencies and capabilities. This position will also act as the focal point of communication with the HQ office on all field-related finance and logistics issues.

Finding 2019-002: Staffing and Management of the Finance/Accounting Department

Information of the Federal Programs: CFDA 98.001 AND CFDA 19.522

Condition: During the 2018 audit, we encountered significant difficulties in obtaining basic supporting documentation, primarily concerning the grant awards AAH has received from its various donors (such as records of amounts obligated and spent, and collections of funds on existing awards). We also observed an extreme lack of organization and coordination within the finance and accounting department of Action Against Hunger – USA, both with regards to the audit process and with regards to basic daily operations. We noted a variety of significant issues, including wide-spread inaccuracies within the financial reporting process, poor or absent communication between management and staff, and a fundamental lack of adequate oversight of the accounting and financial reporting functions.

Upon the conclusion of the 2018 audit in early 2020, management of Action Against Hunger - USA took immediate steps to address the conditions identified in the finding. The organization hired a new CFO in January, 2020 as well as a Controller and other supporting finance and accounting staff shortly thereafter. The new finance team then commenced the process of overhauling the accounting policies and procedures and performing detailed and comprehensive reconciliations of its accounts, investing significant time and resources into this endeavor. Additionally, a plan of action to implement a cloud-based version of the global accounting system to its field offices has been developed and these efforts are expected to begin during fiscal year 2021. Accordingly, we believe that management has acknowledged the severity of the prior year finding and made significant strides towards remedying the situation.

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However, as the corrective action was not able to take place until 2020, it must be noted that the conditions identified during the 2018 audit continued to exist throughout fiscal year 2019 and represented a material weakness. It should also be noted that, while the conditions identified in the 2018 finding directly led to a significant delay in the commencement of the 2019 audit, the 2019 audit process was vastly improved and there was substantial improvement in the accuracy of financial reporting, organizational communication and oversight.

Criteria or Specific Requirement: Title 2 CFR 200 Section 200.303 "Internal Controls" requires recipients of Federal funds to establish internal controls that should be in compliance with guidance in the "Integrated Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause: Action Against Hunger - USA has experienced significant employee turnover in recent years, at both the management and staff levels. Specifically, there was turnover in the CFO/Director of Finance position in 2017, 2018 and 2019; and turnover in the CEO position in 2019. Due to the consistent turnover in the finance/accounting department, a significant gap in institutional and historical knowledge of Action Against Hunger's operations, policies, and internal control procedures has arisen.

Effect or Potential Effect: The 2018 audit process was significantly delayed, and there were numerous significant audit adjustments posted throughout the course of the audit. In addition, inadequate staffing, management and oversight of the finance and accounting function creates an environment in which internal controls cannot function effectively and gives rise to increased risk of material misstatement of the financial statements and increased risk of material noncompliance with the requirements of the Uniform Guidance.

Context: The condition described above represents a pervasive and systemic issue throughout Action Against Hunger - USA's headquarters accounting and finance department operations.

Identification as a Repeat Finding, If Applicable: Repeat of Finding 2018-001

Recommendation: We recommend that management continue to focus on reconciliations of donor reporting to the accounting system, maintenance of accurate restricted net asset schedules and preparation of the schedule of expenditures of federal awards.

View of Responsible Officials and Planned Corrective Actions: The HQ finance team, in coordination with members of our grant management and compliance and risk management teams, has begun the process of converting each of our field offices to a global cloud-based ERP platform. This involves a series of intense interactive sessions with our ERP consultants to entirely rebuild our financial operating and reporting system. While we anticipate this will significantly enhance our financial reporting and analysis capabilities, we are also looking to maximize the grants management and customer relationship management components of the platform. The new ERP platform will allow a seamless consolidation of organizational operations and allow more robust reporting across a wider spectrum of transactional dimensions. We anticipate beginning training and implementation in our field offices during Q4 2021.

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Responsible Official: Gary Camus, Chief Financial Officer

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