



ACTION AGAINST HUNGER - USA

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2020

ACTION AGAINST HUNGER - USA

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FINANCIAL STATEMENTS



ACTION AGAINST HUNGER - USA

AUDIT REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

ACTION AGAINST HUNGER - USA

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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, 2020 and 2019, 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, 2020 and 2019, 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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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 September 21, 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.

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

September 21, 2021

ACTION AGAINST HUNGER - USA

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents:		
Headquarters	\$ 20,623,609	\$ 17,423,244
Field offices	<u>1,186,431</u>	<u>4,558,844</u>
Total cash and cash equivalents	21,810,040	21,982,088
Grants receivable	54,057,477	71,112,558
Travel advances and other receivables	2,863,539	854,793
Prepaid expenses and other assets	328,267	156,461
Furniture, equipment, vehicles and leasehold improvements, net	818,658	972,283
Right-of-use asset, net	<u>6,289,700</u>	<u>6,918,670</u>
TOTAL ASSETS	<u>\$ 86,167,681</u>	<u>\$ 101,996,853</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Note payable	\$ 1,050,000	\$ -
Line of credit	-	6,500,000
Accounts payable and accrued expenses	6,519,855	4,696,620
Due to donors	3,834,837	3,834,837
Provision for unanticipated loss	1,500,000	1,500,000
Due to Network	3,090,663	5,370,527
Operating lease obligation	<u>7,749,208</u>	<u>8,409,271</u>
Total liabilities	<u>23,744,563</u>	<u>30,311,255</u>

NET ASSETS

Without donor restrictions:		
Undesignated	11,638,508	6,039,803
Designated	<u>760,000</u>	<u>760,000</u>
Total net assets without donor restrictions	12,398,508	6,799,803
With donor restrictions	<u>50,024,610</u>	<u>64,885,795</u>
Total net assets	<u>62,423,118</u>	<u>71,685,598</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 86,167,681</u>	<u>\$ 101,996,853</u>

ACTION AGAINST HUNGER - USA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 15,870,757	\$ 1,645,504	\$ 17,516,261
Grants:			
U.S. Government	-	15,530,290	15,530,290
Non-U.S. Government	-	34,406,631	34,406,631
In-kind contributions	10,384,873	-	10,384,873
Other revenue	134,407	-	134,407
Net assets released from donor restrictions	<u>66,694,975</u>	<u>(66,694,975)</u>	<u>-</u>
Total revenue	<u>93,085,012</u>	<u>(15,112,550)</u>	<u>77,972,462</u>
EXPENSES			
Program Services:			
Cambodia Programs	399,048	-	399,048
Ethiopia Programs	17,836,247	-	17,836,247
Haiti Programs	5,764,969	-	5,764,969
Kenya Programs	10,461,134	-	10,461,134
Other Country and Strategic Programs	3,547,919	-	3,547,919
Somalia Programs	15,982,183	-	15,982,183
South Sudan Programs	13,417,996	-	13,417,996
Tanzania Programs	766,340	-	766,340
Uganda Programs	<u>6,452,832</u>	<u>-</u>	<u>6,452,832</u>
Total program services	<u>74,628,668</u>	<u>-</u>	<u>74,628,668</u>
Supporting Services:			
Program Support	4,173,370	-	4,173,370
Management and General	4,840,190	-	4,840,190
Fundraising	<u>2,846,062</u>	<u>-</u>	<u>2,846,062</u>
Total supporting services	<u>11,859,622</u>	<u>-</u>	<u>11,859,622</u>
Total expenses	<u>86,488,290</u>	<u>-</u>	<u>86,488,290</u>
Changes in net assets before other items	6,596,722	(15,112,550)	(8,515,828)
OTHER ITEMS			
Change in net assets attributable to strategic country exchange/regionalization	(559,077)	-	(559,077)
Closeout adjustments	-	-	-
Adjustment of provision for unanticipated losses	-	-	-
Exchange (loss) gain	(438,940)	1,211,513	772,573
De-obligated awards and funds returned to donors	<u>-</u>	<u>(960,148)</u>	<u>(960,148)</u>
CHANGES IN NET ASSETS	<u>\$ 5,598,705</u>	<u>\$ (14,861,185)</u>	<u>\$ (9,262,480)</u>

ACTION AGAINST HUNGER - USA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	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	<u>73,260,175</u>	<u>(73,260,175)</u>	<u>-</u>
Total revenue	<u>89,868,381</u>	<u>25,030,260</u>	<u>114,898,641</u>
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	<u>6,624,953</u>	<u>-</u>	<u>6,624,953</u>
Total program services	<u>79,289,957</u>	<u>-</u>	<u>79,289,957</u>
Supporting Services:			
Program Support	5,516,013	-	5,516,013
Management and General	4,943,535	-	4,943,535
Fundraising	<u>3,231,669</u>	<u>-</u>	<u>3,231,669</u>
Total supporting services	<u>13,691,217</u>	<u>-</u>	<u>13,691,217</u>
Total expenses	<u>92,981,174</u>	<u>-</u>	<u>92,981,174</u>
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	(461,140)	216,780	(244,360)
De-obligated awards and funds returned to donors	<u>-</u>	<u>(819,330)</u>	<u>(819,330)</u>
CHANGES IN NET ASSETS	<u>\$ 3,246,242</u>	<u>\$ (28,134,244)</u>	<u>\$ (24,888,002)</u>

ACTION AGAINST HUNGER - USA

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Without Donor Restrictions						
		Management Designated	Board Designated		Total Without Donor Restrictions	With Donor Restrictions	Total
	Undesignated	Program Development	Emergency Fund	Total Designated			
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	<u>3,246,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,246,242</u>	<u>(28,134,244)</u>	<u>(24,888,002)</u>
Net assets at December 31, 2019	6,039,803	310,000	450,000	760,000	6,799,803	64,885,795	71,685,598
Changes in net assets	<u>5,598,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,598,705</u>	<u>(14,861,185)</u>	<u>(9,262,480)</u>
NET ASSETS AT DECEMBER 31, 2020	<u>\$ 11,638,508</u>	<u>\$ 310,000</u>	<u>\$ 450,000</u>	<u>\$ 760,000</u>	<u>\$ 12,398,508</u>	<u>\$ 50,024,610</u>	<u>\$ 62,423,118</u>

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					
	Cambodia Programs	Ethiopia Programs	Haiti Programs	Kenya Programs	Other Country and Strategy Programs	Somalia Programs
Personnel:						
US staff	\$ 22,885	\$ 3,833	\$ 249	\$ -	\$ 627,265	\$ -
Other U.S. payroll	632	968,121	182,149	69,785	246,242	718,487
Fringe benefits	81,173	353,800	256,887	4,083	118,691	179,948
National field staff	158,500	4,721,006	2,029,950	1,473,863	-	5,139,797
Office running costs and services:						
Insurance	211	20,398	-	129	-	5,072
Rent and utilities	17,427	340,149	143,982	63,314	25,557	933,885
Professional fees	7,446	34,302	16,962	24,377	-	34,404
Travel	267	-	12,051	10,614	31,457	128,802
Telecommunications	2,847	62,751	61,896	239,942	655	177,790
Postage and custom fees	108	1,106	-	2,096	-	(2,083)
Finance charges	2,706	2,913	31,779	12,733	-	221,585
Meeting expenses	972	5,015	959	(4,143)	12,285	820
Human resources	-	-	-	-	-	-
Office equipment and supplies:						
Office supplies	963	202,431	74,529	10,334	4,553	160,512
Depreciation and amortization	-	2,448	36,834	-	-	3,589
Equipment rental and maintenance	20	5,892	164	2,540	-	831
Public awareness expenses:						
External relations	-	-	-	-	4,450	-
Public information and membership dues	-	-	-	-	-	-
Project Logistics:						
Vehicles	7,096	1,479,384	742,571	332,836	-	1,036,735
Radios	-	9,849	-	-	-	-
Warehouse	-	637,605	21,000	34,175	-	21,995
Electrical systems	-	24,755	17,339	121	-	20,375
Freight	-	129,345	868	25,288	-	319,417
Security	-	-	-	-	-	-
Project expenses:						
Food	-	4,355,395	-	-	-	65,683
Nutrition	-	27,369	-	6,995,513	-	409,082
Health	-	142,575	-	786,189	-	1,695,441
Food security	-	415,514	8,259	-	-	1,907,013
Non consumables	7,283	2,155,488	691,145	85,251	-	1,224,160
Watsan	-	532,669	329,345	217,697	-	722,880
Training	67,328	666,889	575,810	266,959	-	658,829
Other	20,649	53,378	27,465	(191,644)	784	86,411
Subcontracts:						
Subcontracts to partners	-	463,825	945,771	-	2,475,838	110,724
Network support costs	-	-	-	-	-	-
Others:						
Exceptional expenses	535	18,042	(442,995)	(918)	142	(1)
TOTAL	\$ 399,048	\$ 17,836,247	\$ 5,764,969	\$ 10,461,134	\$ 3,547,919	\$ 15,982,183

South Sudan Programs	Tanzania Programs	Uganda Programs	Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
				Program Support	Management and General	Fundraising		
\$ 11,462	\$ (79)	\$ -	\$ 665,615	\$ 1,892,034	\$ 1,630,548	\$ 693,837	\$ 4,216,419	\$ 4,882,034
1,093,302	23,628	256,815	3,559,161	1,353,534	411,460	849,440	2,614,434	6,173,595
644,485	19,076	137,174	1,795,317	162,023	719,216	89,621	970,860	2,766,177
5,047,621	276,777	2,000,486	20,848,000	543,375	-	-	543,375	21,391,375
-	-	-	25,810	-	75,169	-	75,169	100,979
432,814	70,766	119,764	2,147,658	73,829	635,926	-	709,755	2,857,413
22,155	96	49,222	188,964	42,035	193,879	3,682	239,596	428,560
175,259	3,223	4,833	366,506	(340,950)	36,575	2,929	(301,446)	65,060
333,539	2,382	71,998	953,800	21,274	55,286	1,156	77,716	1,031,516
-	252	-	1,479	2,117	2,013	12,544	16,674	18,153
88,269	1,493	5,036	366,514	3,500	179,434	62,118	245,052	611,566
100	12,132	-	28,140	24,770	47,286	3,173	75,229	103,369
-	-	-	-	16,435	56,341	-	72,776	72,776
105,384	13,424	95,471	667,601	96,208	141,876	46,540	284,624	952,225
-	-	-	42,871	-	110,754	-	110,754	153,625
817	-	347	10,611	6,952	-	-	6,952	17,563
-	-	-	4,450	-	-	1,081,022	1,081,022	1,085,472
-	-	-	-	10,763	48,784	-	59,547	59,547
547,233	87,582	543,393	4,776,830	3,754	-	-	3,754	4,780,584
3,766	-	-	13,615	-	-	-	-	13,615
78,631	176	2,658	796,240	-	-	-	-	796,240
99,610	-	3,048	165,248	970	-	-	970	166,218
969,979	8,044	4,197	1,457,138	7,892	-	-	7,892	1,465,030
588	-	171	759	-	-	-	-	759
1,115,486	415	1,414,003	6,950,982	-	-	-	-	6,950,982
1,375,399	22,793	868	8,831,024	-	-	-	-	8,831,024
524,955	26,441	2,493	3,178,094	-	-	-	-	3,178,094
78,832	48,846	286,812	2,745,276	-	-	-	-	2,745,276
200,801	1,659	92,670	4,458,457	-	-	-	-	4,458,457
216,809	4,957	157,923	2,182,280	-	-	-	-	2,182,280
175,514	137,394	1,137,745	3,686,468	-	-	-	-	3,686,468
39,646	10,717	79,338	126,744	243,043	-	-	243,043	369,787
31,028	-	-	4,027,186	-	-	-	-	4,027,186
-	-	-	-	-	497,914	-	497,914	497,914
4,512	(5,854)	(13,633)	(440,170)	9,812	(2,271)	-	7,541	(432,629)
\$ 13,417,996	\$ 766,340	\$ 6,452,832	\$ 74,628,668	\$ 4,173,370	\$ 4,840,190	\$ 2,846,062	\$ 11,859,622	\$ 86,488,290

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

				Supporting Services				
South Sudan Programs	Tanzania Programs	Uganda Programs	Total Program Services	Program Support	Management and General	Fundraising	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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (9,262,480)	\$ (24,888,002)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	153,625	240,027
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	17,055,081	20,156,956
Travel advances and other receivables	(2,008,746)	2,278,044
Prepaid expenses and other assets	(171,806)	41,599
Increase (decrease) in:		
Accounts payable and accrued expenses	1,823,235	1,094,122
Due to donors	-	3,834,837
Provision for unanticipated loss	-	(2,883,000)
Due to Network	(2,279,864)	1,852,052
Operating lease obligation	<u>(660,063)</u>	<u>(648,348)</u>
Net cash provided by operating activities	<u>5,277,952</u>	<u>1,688,697</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	3,000,000	6,500,000
Payments on line of credit	(9,500,000)	-
Proceeds from note payable	<u>1,050,000</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(5,450,000)</u>	<u>6,500,000</u>
Net (decrease) increase in cash and cash equivalents	(172,048)	8,188,697
Cash and cash equivalents at beginning of year	<u>21,982,088</u>	<u>13,793,391</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 21,810,040</u>	<u>\$ 21,982,088</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 52,656</u>	<u>\$ 246,981</u>

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 Entities*. 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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 \$1,186,431 and \$4,558,844 of cash and cash equivalents held in foreign countries at December 31, 2020 and 2019. 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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Right-of-use asset (continued) -

As stated in Note 11, 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, 2020 and 2019, 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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, management has estimated the provision to be \$1,500,000.

Foreign currency translation -

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

Current assets, current liabilities and net assets with donor restrictions denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position. Currency gains and losses from translation are recorded as an other item in the accompanying Statements of Activities.

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, 2020 and 2019, contributors to Action Against Hunger - USA have made unconditional written promises to give, of which \$54,640,490 and \$71,742,636, respectively, remained due and outstanding.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 2.15%. Following is a schedule of amounts due, by year, as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 42,290,424	\$ 51,222,626
One to five years	<u>12,350,066</u>	<u>20,520,010</u>
Total	54,640,490	71,742,636
Less: Allowance to discount balance to present value	<u>(583,013)</u>	<u>(630,078)</u>
NET RECEIVABLES	<u>\$ 54,057,477</u>	<u>\$ 71,112,558</u>

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, 2020 and 2019, Action Against Hunger - USA has recorded a net balance due to the network of \$3,090,663 and \$5,370,527, 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, 2020 and 2019.

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. During 2020, as a result of further reconciliation procedures performed between Action Against Hunger - USA and ACF-France, a decrease in net assets without donor restrictions of \$585,177 was recorded associated with the Ethiopia country exchange.

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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

3. ACTION AGAINST HUNGER NETWORK (Continued)

Effective January 1, 2020, Action Against Hunger - USA relinquished control over operations in the country of Pakistan to ACF-France. As a result of this transfer, Action Against Hunger - USA was relieved of the value of all assets and liabilities of the Pakistan field office, which resulted in a net increase in net assets without donor restrictions of \$26,100.

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, Action Against Hunger - USA recorded an increase in net assets without donor restrictions of \$6,038,160 associated with the indirect cost sharing component of 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, 2020 and 2019.

4. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, vehicles and leasehold improvements consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 281,440	\$ 281,440
Equipment	677,363	709,615
Vehicles	1,268,065	1,268,065
Leasehold improvements	292,481	292,481
Landlord construction	<u>1,050,330</u>	<u>1,050,330</u>
	3,569,679	3,601,931
Less: Accumulated depreciation and amortization	<u>(2,751,021)</u>	<u>(2,629,648)</u>
FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET	<u>\$ 818,658</u>	<u>\$ 972,283</u>

Depreciation and amortization expense totaled \$153,625 and \$240,027, for the years ended December 31, 2020 and 2019, respectively.

5. NOTE PAYABLE

In April, 2020 Action Against Hunger - USA received loan proceeds in the amount of \$1,050,000 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first seven months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. As discussed in Note 15, subsequent to year-end, Action Against Hunger - USA received notification that the loan has been forgiven in full. Accordingly, the balance of the loan will be recognized as revenue from extinguishment of debt in the 2021 financial statements.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

6. 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.

There was no outstanding balance on the line of credit as of December 31, 2020. The outstanding balance as on the line as of December 31, 2019 was \$6,500,000. 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.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Cambodia Programs	\$ 2,857	\$ 297,896
Ethiopia Programs	8,158,530	5,905,101
Haiti Programs	5,204,293	17,232,401
Kenya Programs	3,336,008	1,652,052
Other Country and Strategic Programs	8,292,967	6,631,668
Somalia Programs	4,893,557	13,815,385
South Sudan Programs	6,799,045	5,256,822
Tanzania Programs	673,817	934,325
Uganda Programs	<u>12,663,536</u>	<u>13,160,145</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 50,024,610</u>	<u>\$ 64,885,795</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Cambodia Programs	\$ 231,451	\$ 880,087
Ethiopia Programs	13,611,120	9,782,671
Haiti Programs	6,329,142	9,347,867
Kenya Programs	10,203,183	3,434,910
Nigeria Programs	-	17,222,573
Other Country and Strategic Programs	4,907,590	4,027,975
Somalia Programs	15,236,251	12,371,771
South Sudan Programs	10,450,801	10,037,540
Tanzania Programs	456,722	271,832
Uganda Programs	<u>5,268,715</u>	<u>5,882,949</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 66,694,975</u>	<u>\$ 73,260,175</u>

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

8. DESIGNATED NET ASSETS

At December 31, 2020 and 2019, 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, 2020 and 2019 totaled \$450,000 and \$450,000, respectively.

Management Designated: The Finance Committee of the Board of Directors approved management's proposal to allocate \$250,000 out of the 2008 surplus to create a "Program Development Fund" which may be replenished periodically. The purpose of the Program Development Fund was to create a funding source for exploratory missions.

The balance of the Program Development Fund at December 31, 2020 and 2019 totaled \$310,000 and \$310,000, respectively.

9. LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 21,810,040	\$ 21,982,088
Grants receivable	54,057,477	71,112,558
Travel advances and other receivables	<u>2,863,539</u>	<u>854,793</u>
Subtotal financial assets available within one year	78,731,056	93,949,439
Less: Donor restricted funds	(50,024,610)	(64,885,795)
Less: Board designated funds	<u>(760,000)</u>	<u>(760,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 27,946,446</u>	<u>\$ 28,303,644</u>

Action Against Hunger - USA has a policy to structure its financial assets to be available and liquid as its obligations become due.

As of December 31, 2020 and 2019 Action Against Hunger - USA had financial assets equal to approximately four months of operating expenses (including programmatic expenses). In addition, Action Against Hunger - USA has a line of credit agreement (as further discussed in Note 6) which allows for additional available borrowings up to \$7,000,000.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

10. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following at December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Project expenses (food, transportation and medical supplies):		
Ethiopia Programs	\$ 4,300,769	\$ 966,742
Somalia Programs	1,171,631	1,699,008
South Sudan Programs	2,884,431	2,647,160
Tanzania Programs	-	1,301
Uganda Programs	<u>1,413,979</u>	<u>898,635</u>
	9,770,810	6,212,846
Public information and education, including fundraising	<u>614,063</u>	<u>338,379</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 10,384,873</u>	<u>\$ 6,551,225</u>

11. LEASE COMMITMENTS

On February 12, 2015, Action Against Hunger - USA entered into a new lease for office space in Manhattan, N.Y., expiring on December 31, 2030.

Upon execution of the new lease, Action Against Hunger - USA elected an early adoption of *Accounting Standards Codification® ASC 842, Leases*, which 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, 2020 and 2019, the unamortized right-of-use asset was \$6,289,700 and \$6,918,670, respectively and the unamortized operating lease liability was \$7,749,208 and \$8,409,271, respectively. The lease cost, including imputed interest and amortization of the right-of-use asset for the years ended December 31, 2020 and 2019 was \$651,392 and \$629,444, respectively.

The right-of-use asset at December 31, 2020 and 2019 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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

11. LEASE COMMITMENTS (Continued)

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

Year Ending December 31,

2021	\$ 672,535
2022	685,985
2023	699,705
2024	713,699
2025	790,537
Thereafter	<u>4,186,747</u>
	<u>\$ 7,749,208</u>

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

12. RETIREMENT PLAN

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

Action Against Hunger - USA may elect to make employer contributions to the participant accounts in an amount equal to a discretionary percentage of the participant's W-2 wage compensation. In order to qualify for the employer contribution, the employee must have completed 1,000 hours of service within 12 consecutive months of employment. Participants are completely vested after three years of service. For the years ended December 31, 2020 and 2019, total contributions to the plan were \$153,115 and \$133,090, respectively.

13. 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. There were no special events held during 2020. The associated value of benefits provided to donors during the year December 31, 2019 was \$147,709.

14. 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 2020. 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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

14. CONTINGENCIES (Continued)

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.

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, 2020 and 2019, Action Against Hunger - USA had cash, property, and equipment and receivables in various countries in Africa and Asia, totaling approximately \$1,500,000 and \$5,100,000, which represents approximately 1.76% and 5.04% of Action Against Hunger - USA's total assets as of December 31, 2020 and 2019, respectively.

15. SUBSEQUENT EVENTS

In preparing these financial statements, Action Against Hunger - USA has evaluated events and transactions for potential recognition or disclosure through September 21, 2021, the date the financial statements were issued.

On August 11, 2021, Action Against Hunger - USA received notice that their Payroll Protection Program Act loan had been forgiven in full. Accordingly, the balance of the loan will be recognized as revenue from extinguishment of debt in the 2021 financial statements.

SUPPLEMENTAL INFORMATION

ACTION AGAINST HUNGER - USA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Granting Agency and Program Title</u>	<u>Award Number</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity and Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
United States Agency for International Development:					
Technical Rapid Response Team (Tech RRT)	720FDA19GR00041	98.001	IMC / 103754.100.50	\$ -	\$ 74,758
Supporting Humanitarian Actors to Increase Scale and Quality of Cash Transfer Programming in West Africa	720FDA18GR00234	98.001	N/A	-	651,372
Improving Globally the Technical Response Capacity of Nutrition Partners in SMART with a Focus on the Middle East and North Africa	720FDA18GR00315	98.001	N/A	-	366,779
Integrate Life-saving Emergency Response to Conflict Affected IDPs and Host Communities in Oromia Region and Dire Dawa Administrative City, Ethiopia	720FDA19GR00103	98.001	N/A	-	1,328,321
Surveillance and Evaluation Team (SET) and Multi-Sectoral Emergency Team (MET & SURGE): An Integrated Emergency Response in South Sudan	720FDA19GR00111	98.001	N/A	-	3,604,459
Integrated Emergency and Recovery Response to Support Vulnerable Communities Affected by Drought in Mandera and West Pokot Counties	720FDA19GR00134	98.001	N/A	-	834,003
Identifying Prevalence of and Risk Factors for Relapse After Recovery from Severe Acute Malnutrition Globally	720FDA19GR00278	98.001	N/A	-	478,763
Surveillance and Evaluation Team (SET) and Multi-Sectoral Emergency Team (MET & SURGE): An Integrated Emergency Response in South Sudan and Research on Relapse Factors Following SAM Recovery in CMAM Programs Across Several Different Contexts	720FDA20CA00067	98.001	N/A	-	1,082,893
"Integrated Life-saving Emergency Response to Conflict Affected IDPs and Communities Affected by Drought and High Levels of Acute Malnutrition in Amhara and Oromia, Ethiopia"	720FDA20GR00057	98.001	N/A	-	369,507
Integrated Emergency, Adaptive and Recovery Response to Vulnerable Communities Affected by Shocks in Mandera and West Pokot Counties of Kenya	720FDA20GR00286	98.001	N/A	-	149,992
SMART+: Digital System for Fast, Reliable Malnutrition and Multisectoral Data	720FDA20GR00291	98.001	N/A	-	31,444
Cash Learning Partnership (CaLP) Global	72DFFP20GR00101	98.001	N/A	-	148,772

ACTION AGAINST HUNGER - USA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Granting Agency and Program Title</u>	<u>Award Number</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity and Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
United States Agency for International Development (Continued):					
CaLP 2017-2019 and CaLP Americas Support for Action Against Hunger Global Award	AIDFFPG1700060	98.001	N/A	\$ -	\$ 626,129
Developing Next Generation of Humanitarian Leaders	AIDOFDAG1700032	98.001	N/A	-	403,347
Emergency Targeted Supplementary Feeding support for drought and flood prone woredas in Somali Region Ethiopia	72DFFP18CA00001	98.001	IRC / 72DFFP18CA00001	-	38,968
Total United States Agency for International Development				-	10,189,507
United States Department of State:					
Integrated Emergency Nutrition, IYCF, FSL and Psychosocial Support to South Sudanese Refugees and Host Community in Gambella Region, Ethiopia	SPRMCO19CA0092	19.517	N/A	-	1,335,474
Integrated Emergency Nutrition, IYCF, and FSL Support to South Sudanese Refugees and Host Community in Gambella Region, Ethiopia"	SPRMCO20CA0066	19.517	N/A	-	67,865
Total United States Department of State				-	1,403,339
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 11,592,846

ACTION AGAINST HUNGER - USA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020. Information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of Action Against Hunger - USA; accordingly, 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 the cost principles contained in the 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 Uniform Guidance.

ACTION AGAINST HUNGER - USA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

Unmodified

- 2). Internal control over financial reporting:

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

- 3). Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

- 4). Internal control over major federal programs:

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

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

Unmodified

- 6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ Yes ☐ No

- 7). Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
98.001	USAID - Foreign Assistance for Programs Overseas
19.517	Overseas Refugee Assistance Programs for Africa

- 8). Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

- 9). Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

ACTION AGAINST HUNGER - USA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section II - Financial Statement Findings

Please refer to Federal Award Findings 2020-001.

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

Finding 2020-001: Field Office Accounting and Reconciliations

Information on the Federal Programs: CFDA 98.001 and CFDA 19.517

Condition: During the 2020 audit, various issues were noted with regards to the maintenance of accurate accounting records and proper internal control procedures at several of Action Against Hunger-USA's field offices. Items noted included unreconciled bank and cash balances, inaccurate field receivable balances, and items included within field balance sheet schedules that were unsubstantiated by supporting documentation. Additionally, instances of employee timesheets lacking proper employee and/or supervisor signatures were noted. Accordingly, there appears to be a substantial lapse in the accounting functions within the field offices of Action Against Hunger – USA with regard 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: Action Against Hunger – USA has experienced a transitional period over the past several years, including significant turnover within the HQ accounting department between mid 2016 and early 2020, 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: The most significant issues pertained to unreconciled cash accounts in Ethiopia and stale unreconciled advance balances in Ethiopia and Haiti.

Identification as a Repeat Finding: Repeat of Finding 2019-001.

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: The organization is in the process of converting our regional and field offices to the same financial and awards management platform used in the U.S. This will allow greater visibility into our field accounting and operations and more timely and accurate reporting of operating results.

ACTION AGAINST HUNGER - USA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Finding 2020-001: Field Office Accounting and Reconciliations (continued)

Views of Responsible Officials (continued): In addition, as we roll out the new platform to the field, we will be engaging in focused training of our field personnel to address the accounting deficiencies noted. We are also looking to implement an organization-wide electronic timesheet system with workflow requirements to ensure that all timesheets are completed and approved in a timely manner.

Further, in February 2021, a Director of Finance and Administration was hired in the Kenya regional office. This person has been focused on reviewing existing field operations, policies and procedures, and internal controls to determine areas needing improvement. In addition, this director has engaged in an in-depth evaluation of field staff competencies and capabilities to determine if they can perform their job duties.

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

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 regard to account reconciliations and monthly and annual closeout procedures.

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.

December 31, 2020 Status: Additional issues were noted with regards to field office accounting and the related internal controls. Please refer to Finding 2020-001.

Finding 2019-002: 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 regard to the audit process and with regard 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.

ACTION AGAINST HUNGER - USA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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.
- 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, 2020 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 the finding has been properly addressed and is therefore cleared.



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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, 2020, and the related notes to the financial statements, which collectively comprise Action Against Hunger - USA's basic financial statements, and have issued our report thereon dated September 21, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Action Against Hunger - USA's internal control. Accordingly, we do not express an opinion on the effectiveness of Action Against Hunger - USA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001 that we consider to be a significant deficiency.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 Finding 2020-001.

Action Against Hunger - USA's Response to Findings

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

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.

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

September 21, 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, 2020. 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, 2020.

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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 Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

Action Against Hunger - USA's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Action Against Hunger - USA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001, that we consider to be significant deficiencies.

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

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 & Friedman

September 21, 2021



ACTION AGAINST HUNGER - USA

INDIRECT RATE CALCULATION

FOR THE YEAR ENDED DECEMBER 31, 2020

ACTION AGAINST HUNGER - USA

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INDEPENDENT AUDITOR'S REPORT

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

Report on Statement of Indirect Rate Calculation

We have audited the accompanying statement of indirect rate calculation of Action Against Hunger—USA for the year ended December 31, 2020.

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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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

Opinion

In our opinion, the 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, 2020, in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

September 21, 2021

ACTION AGAINST HUNGER - USA

STATEMENT OF INDIRECT RATE CALCULATION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Indirect		
	Program Support	Management and General	Total
EXPENSES PER AUDITED FINANCIAL STATEMENTS			
Personnel:			
US staff	\$ 1,892,034	\$ 1,630,548	\$ 3,522,582
Other U.S. payroll	1,353,534	411,460	1,764,994
Fringe benefits	162,023	719,216	881,239
National field staff	543,375		543,375
Office running costs and services:			
Insurance	-	75,169	75,169
Rent and utilities	73,829	635,926	709,755
Professional fees	42,035	193,879	235,914
Travel	(340,950)	36,575	(304,375)
Telecommunications	21,274	55,286	76,560
Postage and custom fees	2,117	2,013	4,130
Finance charges	3,500	179,434	182,934
Meeting expenses	24,770	47,286	72,056
Human resources	16,435	56,341	72,776
Office equipment and supplies:			
Office supplies	96,208	141,876	238,084
Depreciation and amortization	-	110,754	110,754
Equipment rental and maintenance	6,952	-	6,952
Public awareness expenses:			
Public information and membership dues	10,763	48,784	59,547
Project logistics:			
Vehicles	3,754	-	3,754
Electrical systems	970	-	970
Freight	7,892	-	7,892
Project expenses:			
Other	243,043	-	243,043
Subcontracts:			
Subcontracts to partners	-	(2,124)	(2,124)
Network support costs	-	500,038	500,038
Other expenses:			
Exceptional expenses	9,812	(2,271)	7,541
Subtotal	\$ 4,173,370	\$ 4,840,190	9,013,560
Adjustments and reclassifications:			
Project logistics			(12,616)
Other project expenses			(243,043)
Subcontracts to partners			2,124
Network support costs			(500,038)
Exceptional expenses			(7,541)
TOTAL ALLOWABLE INDIRECT EXPENSES			\$ 8,252,446

ACTION AGAINST HUNGER - USA

**STATEMENT OF INDIRECT RATE CALCULATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

DIRECT EXPENSES PER AUDITED FINANCIAL STATEMENTS

Program Services:	
Cambodia Programs	\$ 399,048
Ethiopia Programs	17,836,247
Haiti Programs	5,764,969
Kenya Programs	10,461,134
Other Country and Strategic Programs	3,547,919
Somalia Programs	15,982,183
South Sudan Programs	13,417,996
Tanzania Programs	766,340
Uganda Programs	<u>6,452,832</u>
	74,628,668
Supporting Services:	
Fundraising	<u>2,846,062</u>
Subtotal	77,474,730
Adjustments and reclassifications:	
Project logistics	12,616
Unallocated program expenses	228,100
Pass-through grants	(4,027,186)
Grants managed in the field	(997,071)
In-kind expenses	(10,384,873)
Exceptional program expenses	<u>440,170</u>
TOTAL ALLOWABLE DIRECT EXPENSES	<u>\$ 62,746,486</u>

INDIRECT RATE CALCULATION

<u>Total Allowable Indirect Expenses</u>		<u>\$ 8,252,446</u>			
Total Allowable Direct Expenses	=	\$ 62,746,486	x 100	=	<u>13.15%</u>

ACTION AGAINST HUNGER - USA

NOTES TO STATEMENT OF INDIRECT RATE CALCULATION DECEMBER 31, 2020

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 2020, 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 2020, 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.



Action Against Hunger USA One
Whitehall Street, 2nd Floor New
York, NY 10004

212.967.7800
info@actionagainsthunger.org
www.actionagainsthunger.org

**Action Against Hunger - USA
Summary Schedule of Prior Year Audit Findings
September 21, 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 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.

Status: During the 2020 audit, various issues were noted with regards to the maintenance of accurate accounting records and proper internal control procedures at several of Action Against Hunger - USA's field offices. Items noted included unreconciled bank and cash balances, inaccurate field receivable balances, and items included within field balance sheet schedules that were unsubstantiated by supporting documentation. Additionally, instances of employee timesheets lacking proper employee and/or supervisor signatures were noted. Accordingly, there appears to be a substantial lapse in the accounting functions within the field offices of Action Against Hunger – USA with regard to account reconciliations and monthly and annual closeout procedures.

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: The organization is in the process of converting our regional and field offices to the same financial and awards management platform used in the U.S. This will allow greater visibility into our field accounting and operations and more timely and accurate reporting of operating results.



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Finding 2019-002: 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 regard to the audit process and with regard 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. 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.

Status: Given the actions taken in early 2020 to address the issues identified, we consider this matter to be resolved.

CFO signature:

A handwritten signature in black ink, appearing to be "J. A.", written over a horizontal line.



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York, NY 10004

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info@actionagainsthunger.org
www.actionagainsthunger.org

**Action Against Hunger - USA
Corrective Action Plan
September 21, 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 2020-001: Field Office Accounting and Reconciliations

Information on the Federal Programs: CFDA 98.001, CFDA 19.517

Condition: During the 2020 audit, various issues were noted with regards to the maintenance of accurate accounting records and proper internal control procedures at several of Action Against Hunger - USA's field offices. Items noted included unreconciled bank and cash balances, inaccurate field receivable balances, and items included within field balance sheet schedules that were unsubstantiated by supporting documentation. Additionally, instances of employee timesheets lacking proper employee and/or supervisor signatures were noted. Accordingly, there appears to be a substantial lapse in the accounting functions within the field offices of Action Against Hunger – USA with regard 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: Action Against Hunger – USA has experienced a transitional period over the past several years, including significant turnover within the HQ accounting department between mid 2016 and early 2020, 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: The most significant issues pertained to unreconciled cash accounts in Ethiopia and stale unreconciled advance balances in Ethiopia and Haiti.

Identification as a Repeat Finding: Repeat of Finding 2019-001.



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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: The organization is in the process of converting our regional and field offices to the same financial and awards management platform used in the U.S. This will allow greater visibility into our field accounting and operations and more timely and accurate reporting of operating results.

Responsible Official: Gary Camus, Chief Financial Officer

CFO signature

A handwritten signature in black ink, appearing to read "G. Camus", is written over a horizontal line.