

FINANCIAL STATEMENTS



**ACTION
AGAINST
HUNGER**

ACTION AGAINST HUNGER - USA

AUDIT REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

ACTION AGAINST HUNGER - USA

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of December 31, 2022 and 2021	4
EXHIBIT B - Statement of Activities, for the Year Ended December 31, 2022	5
EXHIBIT C - Statement of Activities, for the Year Ended December 31, 2021	6
EXHIBIT D - Statements of Changes in Net Assets, for the Years Ended December 31, 2022 and 2021	7
EXHIBIT E - Statement of Functional Expenses, for the Year Ended December 31, 2022	8 - 9
EXHIBIT F - Statement of Functional Expenses, for the Year Ended December 31, 2021	10 - 11
EXHIBIT G - Statements of Cash Flows, for the Years Ended December 31, 2022 and 2021	12
NOTES TO FINANCIAL STATEMENTS	13 - 23



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Action Against Hunger - USA, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Action Against Hunger - USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Action Against Hunger - USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Action Against Hunger - USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2023 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.



August 24, 2023

ACTION AGAINST HUNGER - USA

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents:		
Headquarters	\$ 23,729,076	\$ 30,554,348
Field offices	<u>5,825,818</u>	<u>3,485,009</u>
Total cash and cash equivalents	29,554,894	34,039,357
Grants receivable, net	77,389,133	72,781,070
Travel advances and other receivables	2,635,424	1,528,942
Prepaid expenses and other assets	191,421	251,692
Furniture, equipment, vehicles and leasehold improvements, net	1,173,558	736,792
Right-of-use assets, net	<u>5,247,341</u>	<u>4,739,802</u>
TOTAL ASSETS	\$ <u>116,191,771</u>	\$ <u>114,077,655</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 14,753,255	\$ 9,350,487
Due to donors	5,369,399	6,045,950
Provision for unanticipated loss	1,500,000	1,500,000
Due to Network	1,227,762	4,298,719
Operating lease obligations	<u>6,706,464</u>	<u>6,155,746</u>
Total liabilities	<u>29,556,880</u>	<u>27,350,902</u>

NET ASSETS

Without donor restrictions:		
Undesignated	14,662,926	16,033,647
Designated	<u>760,000</u>	<u>760,000</u>
Total net assets without donor restrictions	15,422,926	16,793,647
With donor restrictions	<u>71,211,965</u>	<u>69,933,106</u>
Total net assets	<u>86,634,891</u>	<u>86,726,753</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>116,191,771</u>	\$ <u>114,077,655</u>

ACTION AGAINST HUNGER - USA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 15,106,871	\$ 653,554	\$ 15,760,425
Grants:			
U.S. Government	-	32,517,460	32,517,460
Non-U.S. Government	-	69,333,666	69,333,666
Contributed services and materials	11,747,066	-	11,747,066
Other loss	(284,109)	-	(284,109)
Net assets released from donor restrictions	<u>98,639,944</u>	<u>(98,639,944)</u>	<u>-</u>
Total revenue	<u>125,209,772</u>	<u>3,864,736</u>	<u>129,074,508</u>
EXPENSES			
Program Services:			
Ethiopia Programs	27,945,722	-	27,945,722
Haiti Programs	5,728,065	-	5,728,065
Kenya Programs	12,347,307	-	12,347,307
Other Country and Strategic Programs	6,019,353	-	6,019,353
Somalia Programs	20,806,593	-	20,806,593
South Sudan Programs	24,252,519	-	24,252,519
Tanzania Programs	630,925	-	630,925
Uganda Programs	<u>11,746,921</u>	<u>-</u>	<u>11,746,921</u>
Total program services	<u>109,477,405</u>	<u>-</u>	<u>109,477,405</u>
Supporting Services:			
Program Support	4,734,047	-	4,734,047
Management and General	7,524,633	-	7,524,633
Fundraising	<u>4,469,006</u>	<u>-</u>	<u>4,469,006</u>
Total supporting services	<u>16,727,686</u>	<u>-</u>	<u>16,727,686</u>
Total expenses	<u>126,205,091</u>	<u>-</u>	<u>126,205,091</u>
Changes in net assets before other items	(995,319)	3,864,736	2,869,417
OTHER ITEMS			
Exchange loss	(375,402)	(1,844,230)	(2,219,632)
De-obligated awards and funds returned to donors	<u>-</u>	<u>(741,647)</u>	<u>(741,647)</u>
CHANGES IN NET ASSETS	<u>\$ (1,370,721)</u>	<u>\$ 1,278,859</u>	<u>\$ (91,862)</u>

ACTION AGAINST HUNGER - USA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 16,229,187	\$ -	\$ 16,229,187
Grants:			
U.S. Government	-	15,005,399	15,005,399
Non-U.S. Government	-	75,294,344	75,294,344
Contributed services and materials	9,334,526	-	9,334,526
Other revenue	962,684	-	962,684
Net assets released from donor restrictions	<u>68,638,918</u>	<u>(68,638,918)</u>	<u>-</u>
Total revenue	<u>95,165,315</u>	<u>21,660,825</u>	<u>116,826,140</u>
EXPENSES			
Program Services:			
Ethiopia Programs	19,729,813	-	19,729,813
Haiti Programs	4,482,672	-	4,482,672
Kenya Programs	4,850,936	-	4,850,936
Other Country and Strategic Programs	4,140,492	-	4,140,492
Somalia Programs	14,649,294	-	14,649,294
South Sudan Programs	16,789,137	-	16,789,137
Tanzania Programs	741,186	-	741,186
Uganda Programs	<u>10,534,743</u>	<u>-</u>	<u>10,534,743</u>
Total program services	<u>75,918,273</u>	<u>-</u>	<u>75,918,273</u>
Supporting Services:			
Program Support	4,565,238	-	4,565,238
Management and General	4,381,088	-	4,381,088
Fundraising	<u>3,333,124</u>	<u>-</u>	<u>3,333,124</u>
Total supporting services	<u>12,279,450</u>	<u>-</u>	<u>12,279,450</u>
Total expenses	<u>88,197,723</u>	<u>-</u>	<u>88,197,723</u>
Changes in net assets before other items	6,967,592	21,660,825	28,628,417
OTHER ITEMS			
Closeout adjustments	(2,211,113)	-	(2,211,113)
Exchange loss	(1,577,674)	(844,822)	(2,422,496)
De-obligated awards and funds returned to donors	-	(907,507)	(907,507)
Non-operating income	166,334	-	166,334
Extinguishment of debt	<u>1,050,000</u>	<u>-</u>	<u>1,050,000</u>
CHANGES IN NET ASSETS	<u>\$ 4,395,139</u>	<u>\$ 19,908,496</u>	<u>\$ 24,303,635</u>

ACTION AGAINST HUNGER - USA

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Without Donor Restrictions</u>						<u>Total</u>
	<u>Undesignated</u>	<u>Management Designated</u>	<u>Board Designated</u>	<u>Total Designated</u>	<u>Total Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
		<u>Program Development</u>	<u>Emergency Fund</u>				
Net assets at December 31, 2020	\$ 11,638,508	\$ 310,000	\$ 450,000	\$ 760,000	\$ 12,398,508	\$ 50,024,610	\$ 62,423,118
Changes in net assets	<u>4,395,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,395,139</u>	<u>19,908,496</u>	<u>24,303,635</u>
Net assets at December 31, 2021	16,033,647	310,000	450,000	760,000	16,793,647	69,933,106	86,726,753
Changes in net assets	<u>(1,370,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,370,721)</u>	<u>1,278,859</u>	<u>(91,862)</u>
NET ASSETS AT DECEMBER 31, 2022	<u>\$ 14,662,926</u>	<u>\$ 310,000</u>	<u>\$ 450,000</u>	<u>\$ 760,000</u>	<u>\$ 15,422,926</u>	<u>\$ 71,211,965</u>	<u>\$ 86,634,891</u>

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services						
	Ethiopia Programs	Haiti Programs	Kenya Programs	Other Country and Strategic Programs	Somalia Programs	South Sudan Programs	Tanzania Programs
Personnel:							
US staff	\$ 82,863	\$ -	\$ -	\$ 700,583	\$ -	\$ 27	\$ -
Other U.S. payroll	154,737	64,730	81,311	318,192	470,044	1,185,661	27,507
Fringe benefits	174,916	232,458	66,644	130,692	297,373	607,771	-
National field staff	8,397,342	1,924,604	1,692,268	46,564	5,199,347	8,775,296	338,145
Office running costs and services:							
Insurance	-	-	208	-	-	-	589
Rent and utilities	478,675	290,852	128,362	26,508	631,322	1,255,686	23,568
Professional fees	193,490	70,295	42,606	137	128,664	51,925	1,110
Travel	119	23,535	89,884	52,714	242,672	185,526	484
Telecommunications	181,524	79,084	34,559	3,123	117,767	409,748	7,727
Postage and custom fees	2,426	93	1,834	-	54	-	9
Finance charges	4,770	38,231	37,313	1,602	311,781	245,062	2,738
Meeting expenses	687	77	42,749	3,020	-	-	1,923
Human resources	-	-	-	-	-	-	-
Office equipment and supplies:							
Office supplies	436,269	93,856	56,293	40,763	202,397	247,920	18,235
Depreciation and amortization	-	-	-	-	-	-	-
Equipment rental and maintenance	10,332	(1,364)	2,932	-	6,405	8,302	43
Public awareness expenses:							
External relations	-	-	233	1,471	-	-	-
Public information and membership dues	-	-	-	-	-	-	-
Project logistics:							
Vehicles	2,837,167	924,743	789,235	115,351	663,226	1,666,963	59,689
Radios	6,753	-	-	-	-	6,235	30
Warehouse	171,364	28,142	5,702	-	92,601	111,896	-
Electrical systems	96,356	45,606	3,486	-	49,605	220,509	171
Freight	359,029	11,433	35,817	-	419,891	1,129,678	731
Security	40,507	2,400	-	2,075	-	1,170	-
Project expenses:							
Food	2,635,943	8,932	-	-	63,177	2,864,498	-
Nutrition	879,253	37,391	6,258,494	-	278,448	1,758,739	-
Health	1,170,782	-	532	1,992	1,453,002	675,639	-
Food security	2,664,401	12,489	369,232	-	5,720,772	219,628	13,236
Non consumables	4,043,113	931,928	1,247,943	-	1,145,631	1,160,341	-
Watsan	939,356	338,878	277,476	-	1,471,852	487,044	68,892
Training	1,298,798	551,498	1,339,966	25,633	423,731	452,887	56,412
Other	70,068	18,174	(257,772)	3,472	55,497	193,846	9,686
Subcontracts:							
Subcontracts to partners	614,682	-	-	4,545,461	1,361,334	330,522	-
	\$ 27,945,722	\$ 5,728,065	\$ 12,347,307	\$ 6,019,353	\$ 20,806,593	\$ 24,252,519	\$ 630,925

ACTION AGAINST HUNGER - USA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services (Continued)		Supporting Services			Total Supporting Services	Total Expenses
	Uganda Programs	Total Program Services	Program Support	Management and General	Fundraising		
Personnel:							
US staff	\$ -	\$ 783,473	\$ 1,729,758	\$ 2,793,440	\$ 1,221,586	\$ 5,744,784	\$ 6,528,257
Other U.S. payroll	78,232	2,380,414	203,010	1,720,925	1,676,833	3,600,768	5,981,182
Fringe benefits	279,672	1,789,526	538,728	912,494	375,449	1,826,671	3,616,197
National field staff	2,897,266	29,270,832	1,158,145	-	-	1,158,145	30,428,977
Office running costs and services:							
Insurance	-	797	-	113,035	-	113,035	113,832
Rent and utilities	203,846	3,038,819	90,902	767,260	-	858,162	3,896,981
Professional fees	27,786	516,013	28,069	244,892	14,924	287,885	803,898
Travel	-	594,934	202,090	132,522	30,200	364,812	959,746
Telecommunications	133,648	967,180	26,795	39,279	146	66,220	1,033,400
Postage and custom fees	-	4,416	2,073	2,567	8,708	13,348	17,764
Finance charges	10,578	652,075	4,717	66,357	100,755	171,829	823,904
Meeting expenses	(5,734)	42,722	87,670	187,967	5,758	281,395	324,117
Human resources	-	-	6,921	81,520	-	88,441	88,441
Office equipment and supplies:							
Office supplies	97,586	1,193,319	163,358	249,871	56,225	469,454	1,662,773
Depreciation and amortization	-	-	-	99,756	-	99,756	99,756
Equipment rental and maintenance	300	26,950	8,453	-	39	8,492	35,442
Public awareness expenses:							
External relations	-	1,704	-	-	978,383	978,383	980,087
Public information and membership dues	-	-	82,214	113,398	-	195,612	195,612
Project logistics:							
Vehicles	584,530	7,640,904	129,326	-	-	129,326	7,770,230
Radios	-	13,018	-	-	-	-	13,018
Warehouse	4,120	413,825	-	-	-	-	413,825
Electrical systems	4,775	420,508	1,981	-	-	1,981	422,489
Freight	25,907	1,982,486	1,639	-	-	1,639	1,984,125
Security	-	46,152	-	-	-	-	46,152
Project expenses:							
Food	2,633,671	8,206,221	-	-	-	-	8,206,221
Nutrition	75,189	9,287,514	(57,530)	-	-	(57,530)	9,229,984
Health	5,167	3,307,114	-	-	-	-	3,307,114
Food security	425,707	9,425,465	-	-	-	-	9,425,465
Non consumables	159,736	8,688,692	-	-	-	-	8,688,692
Watsan	337,578	3,921,076	-	-	-	-	3,921,076
Training	1,082,410	5,231,335	-	(650)	-	(650)	5,230,685
Other	164,039	257,010	325,728	-	-	325,728	582,738
Subcontracts:							
Subcontracts to partners	2,520,912	9,372,911	-	-	-	-	9,372,911
	\$ 11,746,921	\$ 109,477,405	\$ 4,734,047	\$ 7,524,633	\$ 4,469,006	\$ 16,727,686	\$ 126,205,091

ACTION AGAINST HUNGER - USA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						
	Ethiopia Programs	Haiti Programs	Kenya Programs	Other Country and Strategic Programs	Somalia Programs	South Sudan Programs	Tanzania Programs
Personnel:							
US staff	\$ 17,438	\$ -	\$ -	\$ 468,344	\$ -	\$ 1,997	\$ -
Other U.S. payroll	237,573	79,284	65,914	256,067	555,641	752,812	25,788
Fringe benefits	208,449	188,244	29,300	79,735	219,899	969,668	13,481
National field staff	6,102,541	1,867,871	2,066,780	-	4,889,018	6,432,257	345,241
Office running costs and services:							
Insurance	-	-	-	-	-	-	273
Rent and utilities	440,505	157,516	108,937	8,066	611,840	610,070	36,108
Professional fees	73,021	10,986	27,201	-	30,078	29,075	13,474
Travel	706	8,510	33,916	5,336	114,163	179,201	1,457
Telecommunications	126,804	62,199	30,479	291	122,667	401,180	5,833
Postage and custom fees	5,884	-	5,764	15,359	411	-	445
Finance charges	1,468	122,976	22,647	-	267,621	144,022	4,157
Meeting expenses	2,356	268	-	3,289	-	-	-
Human resources	-	-	-	-	-	-	-
Office equipment and supplies:							
Office supplies	329,957	45,380	79,601	5,310	121,257	189,501	3,428
Depreciation and amortization	-	-	-	-	-	-	-
Equipment rental and maintenance	3,027	942	1,364	-	830	4,429	-
Public awareness expenses:							
External relations	-	-	-	925	-	-	-
Public information and membership dues	-	-	-	-	-	-	-
Project logistics:							
Vehicles	1,866,143	395,435	634,521	-	981,287	1,372,110	45,192
Radios	13,357	-	-	-	-	8,109	31
Warehouse	101,502	9,626	51,421	-	17,496	95,076	-
Electrical systems	60,713	51,331	889	-	31,929	209,734	14,008
Freight	238,618	14,009	82,129	-	260,130	748,367	36,936
Security	22,100	3,600	-	-	-	2,533	-
Project expenses:							
Food	3,277,081	8,609	23	-	113,995	1,014,941	968
Nutrition	650,978	-	496,088	-	147,379	1,338,337	19,818
Health	660,117	-	208,800	-	976,862	372,138	15,482
Food security	589,773	13,912	64,184	-	2,051,142	479,726	40,688
Non consumables	2,484,932	1,117,320	297,928	-	906,977	691,809	1,233
Watsan	940,164	463,977	259,572	-	683,253	299,419	27,705
Training	891,421	438,642	328,028	-	732,909	198,921	75,587
Other	308,623	35,605	(249,151)	-	66,708	101,964	13,853
Subcontracts:							
Subcontracts to partners	74,562	(613,570)	204,601	3,297,770	745,802	141,741	-
Network support costs	-	-	-	-	-	-	-
TOTAL	\$ 19,729,813	\$ 4,482,672	\$ 4,850,936	\$ 4,140,492	\$ 14,649,294	\$ 16,789,137	\$ 741,186

ACTION AGAINST HUNGER - USA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services (Continued)		Supporting Services				Total Expenses
	Uganda Programs	Total Program Services	Program Support	Management and General	Fundraising	Total Supporting Services	
Personnel:							
US staff	\$ -	\$ 487,779	\$ 1,864,110	\$ 1,976,852	\$ 994,607	\$ 4,835,569	\$ 5,323,348
Other U.S. payroll	276,872	2,249,951	473,455	447,277	993,710	1,914,442	4,164,393
Fringe benefits	143,539	1,852,315	301,037	143,701	165,827	610,565	2,462,880
National field staff	1,672,217	23,375,925	1,219,517	-	-	1,219,517	24,595,442
Office running costs and services:							
Insurance	-	273	-	86,795	-	86,795	87,068
Rent and utilities	151,032	2,124,074	57,320	661,310	-	718,630	2,842,704
Professional fees	41,734	225,569	16,846	108,957	21,348	147,151	372,720
Travel	1,558	344,847	103,942	19,429	(680)	122,691	467,538
Telecommunications	80,525	829,978	21,457	48,448	-	69,905	899,883
Postage and custom fees	3	27,866	1,274	2,588	16,944	20,806	48,672
Finance charges	1,969,098	2,531,989	3,677	91,441	122,924	218,042	2,750,031
Meeting expenses	5,586	11,499	44,861	83,469	5,194	133,524	145,023
Human resources	-	-	29,641	943	23	30,607	30,607
Office equipment and supplies:							
Office supplies	95,689	870,123	53,576	269,432	55,172	378,180	1,248,303
Depreciation and amortization	-	-	-	81,866	-	81,866	81,866
Equipment rental and maintenance	294	10,886	8,049	-	-	8,049	18,935
Public awareness expenses:							
External relations	-	925	-	-	957,560	957,560	958,485
Public information and membership dues	-	-	56,787	51,013	-	107,800	107,800
Project logistics:							
Vehicles	576,292	5,870,980	2,846	-	-	2,846	5,873,826
Radios	-	21,497	-	-	-	-	21,497
Warehouse	23,459	298,580	-	-	-	-	298,580
Electrical systems	7,754	376,358	928	-	-	928	377,286
Freight	62,023	1,442,212	34,172	-	-	34,172	1,476,384
Security	7,087	35,320	-	-	-	-	35,320
Project expenses:							
Food	2,837,284	7,252,901	-	-	-	-	7,252,901
Nutrition	74,704	2,727,304	-	-	-	-	2,727,304
Health	55,752	2,289,151	-	-	-	-	2,289,151
Food security	508,028	3,747,453	-	-	-	-	3,747,453
Non consumables	236,169	5,736,368	-	-	-	-	5,736,368
Watsan	217,535	2,891,625	-	-	-	-	2,891,625
Training	1,368,259	4,033,767	-	-	-	-	4,033,767
Other	122,250	399,852	271,743	1,230	495	273,468	673,320
Subcontracts:							
Subcontracts to partners	-	3,850,906	-	-	-	-	3,850,906
Network support costs	-	-	-	306,337	-	306,337	306,337
TOTAL	\$ 10,534,743	\$ 75,918,273	\$ 4,565,238	\$ 4,381,088	\$ 3,333,124	\$ 12,279,450	\$ 88,197,723

ACTION AGAINST HUNGER - USA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (91,862)	\$ 24,303,635
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	99,756	81,866
Amortization of right-of-use assets	551,439	1,549,897
Change in discount on long-term receivables	263,706	114,694
Forgiveness of debt	-	(1,050,000)
(Increase) decrease in:		
Grants receivable, net	(4,871,769)	(18,838,287)
Travel advances and other receivables	(1,106,482)	1,334,597
Prepaid expenses and other assets	60,271	76,575
Increase (decrease) in:		
Accounts payable and accrued expenses	5,402,768	2,830,633
Due to donors	(676,551)	2,211,113
Due to Network	(3,070,957)	1,208,056
Operating lease obligations	<u>(508,260)</u>	<u>(1,593,462)</u>
Net cash (used) provided by operating activities	<u>(3,947,941)</u>	<u>12,229,317</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment, vehicles and leasehold improvements	<u>(536,522)</u>	<u>-</u>
Net cash used by investing activities	<u>(536,522)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	2,500,000
Payments on line of credit	<u>-</u>	<u>(2,500,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(4,484,463)	12,229,317
Cash and cash equivalents at beginning of year	<u>34,039,357</u>	<u>21,810,040</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 29,554,894</u>	<u>\$ 34,039,357</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 23,369</u>	<u>\$ 4,346</u>
Right-of-Use Asset	<u>\$ 1,058,978</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 1,058,978</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 the year ended December 31, 2022, Action Against Hunger - USA adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

Cash and cash equivalents (continued) -

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 \$5,825,818 and \$3,485,009 of cash and cash equivalents held in foreign countries at December 31, 2022 and 2021, respectively. The majority of funds held in foreign countries are uninsured.

Grants receivable, net -

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 the Statements of Activities, to its current fair value.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

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, 2022 and 2021, 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 the U.S. and foreign governments, international organizations, individuals 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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 or 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.

Provision for unanticipated losses -

Action Against Hunger - USA has established a provision for unanticipated losses.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

Provision for unanticipated losses (continued) -

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, 2022 and 2021, 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. Assets, 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.

Contributed services and materials -

Contributed services and materials consists of donations of food, transportation and medical supplies. Goods donated for distribution for Action Against Hunger - USA's programs are recorded at their fair market value as of the date of the gift. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Action Against Hunger - USA.

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.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for Action Against Hunger - USA for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

Action Against Hunger - USA plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

2. GRANTS RECEIVABLE

As of December 31, 2022 and 2021, contributors to Action Against Hunger - USA have made unconditional written promises to give, of which \$78,350,546 and \$73,478,777, respectively, remained due and outstanding. 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 discount rates of 3.00% and 2.15% as of December 31, 2022 and 2021, respectively.

Following is a schedule of amounts due, by year, as of December 31, 2022 and 2021:

	2022	2021
Less than one year	\$ 48,234,527	\$ 46,274,278
One to five years	30,116,019	27,204,499
Total	78,350,546	73,478,777
Less: Allowance to discount balance to present value	(961,413)	(697,707)
NET RECEIVABLES	\$ 77,389,133	\$ 72,781,070

3. ACTION AGAINST HUNGER NETWORK

Action Against Hunger - USA is a member of a network that includes seven other international non-governmental organizations headquartered in Paris, Madrid, London, Toronto, Berlin, Rome and New Delhi. The network collaborates to accomplish a worldwide shared mission. Action Against Hunger - USA and the seven other members of the network provide inter-organizational program, human resources and logistic support on behalf of their related overseas programs.

At December 31, 2022 and 2021, Action Against Hunger - USA has recorded a net balance due to the network of \$1,227,762 and \$4,298,719, respectively.

4. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, vehicles and leasehold improvements consisted of the following at December 31, 2022 and 2021:

	2022	2021
Furniture	\$ 434,788	\$ 281,440
Equipment	677,363	677,363
Vehicles	1,258,110	1,258,110
Work in progress	383,174	-
Leasehold improvements	292,481	292,481
Landlord construction	1,050,330	1,050,330
Subtotal	4,096,246	3,559,724
Less: Accumulated depreciation and amortization	(2,922,688)	(2,822,932)
FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET	\$ 1,173,558	\$ 736,792

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

4. FURNITURE, EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS (Continued)

Depreciation and amortization expense totaled \$99,756 and \$81,866, for the years ended December 31, 2022 and 2021, 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 called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first seven months.

Action Against Hunger - USA used the loan proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness after completing the 24-week period stipulated by the terms of the loan.

Action Against Hunger - USA received full forgiveness from the SBA in August 2021. Accordingly, Action Against Hunger - USA has recorded revenue from forgiveness of debt in the amount of \$1,050,000 in the accompanying Statements of Activities.

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 Prime Rate. There was no outstanding balance on the line of credit as of December 31, 2022 and December 31, 2021. 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, 2023.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Ethiopia Programs	\$ 17,117,650	\$ 17,908,757
Haiti Programs	11,404,829	10,574,572
Kenya Programs	9,364,087	1,012,807
Other Country and Strategic Programs	6,795,060	6,832,941
Somalia Programs	8,001,900	7,466,792
South Sudan Programs	12,009,306	14,002,529
Tanzania Programs	52,905	170,534
Uganda Programs	<u>6,466,228</u>	<u>11,964,174</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 71,211,965</u>	<u>\$ 69,933,106</u>

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

7. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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, 2022 and 2021:

	2022	2021
Purpose restrictions accomplished:		
Ethiopia Programs	\$ 25,907,838	\$ 17,765,936
Haiti Programs	5,947,073	4,786,602
Kenya Programs	12,408,786	4,514,143
Other Country and Strategic Programs	5,197,440	4,330,928
Somalia Programs	19,779,779	13,942,028
South Sudan Programs	20,092,015	14,848,143
Tanzania Programs	371,280	633,360
Uganda Programs	8,935,733	7,817,778
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 98,639,944	\$ 68,638,918

8. DESIGNATED NET ASSETS

At December 31, 2022 and 2021, Action Against Hunger - USA had the following designated net assets.

Management Designated: The Finance Committee of the Board of Directors approved management's proposal 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, 2022 and 2021 totaled \$310,000 and \$310,000, respectively.

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, 2022 and 2021 totaled \$450,000 and \$450,000, 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:

	2022	2021
Cash and cash equivalents	\$ 29,554,894	\$ 34,039,357
Grants receivable, net	77,389,133	72,781,070
Travel advances and other receivables	2,635,424	1,528,942
Subtotal financial assets available within one year	109,579,451	108,349,369
Less: Donor restricted funds	(71,211,965)	(69,933,106)
Less: Board designated funds	(760,000)	(760,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 37,607,486	\$ 37,656,263

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

9. LIQUIDITY AND AVAILABILITY (Continued)

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

10. CONTRIBUTED NON-FINANCIAL ASSETS

During the years ended December 31, 2022 and 2021, Action Against Hunger - USA was the beneficiary of donated goods and services which allowed Action Against Hunger - USA to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the years ended December 31, 2022 and 2021. Goods donated for distribution for Action Against Hunger - USA's programs are recorded at their fair market value as of the date of the gift. The fair value is estimated based on values provided by the donors. To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022 and 2021.

	2022	2021
Project expenses (food, transportation and medical supplies)	\$ 11,630,950	\$ 8,862,953
Public information and education	116,116	471,573
TOTAL	\$ 11,747,066	\$ 9,334,526

The following programs have benefited from these donated services:

	2022	2021
Ethiopia Programs	\$ 3,112,571	\$ 2,815,714
Somalia Programs	911,733	574,790
South Sudan Programs	4,925,369	2,602,081
Uganda Programs	2,681,277	2,870,368
Fundraising	116,116	471,573
TOTAL	\$ 11,747,066	\$ 9,334,526

11. LEASE COMMITMENTS

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

Upon execution of the new lease, Action Against Hunger - USA adopted *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.

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

11. LEASE COMMITMENTS (Continued)

As a result, in 2015, Action Against Hunger - USA recorded a right-of-use asset in the amount of \$7,349,827 and an operating lease liability in the amount of \$8,400,157 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, 2022 and 2021, the net right-of-use asset was \$4,288,604 and \$4,739,802, respectively and the net operating lease liability was \$5,647,533 and \$6,155,746, respectively.

Under the terms of the operating lease, the landlord incurred certain initial construction costs on behalf of Action Against Hunger - USA that amounted to \$1,050,330. These costs are 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.

On March 10, 2022, Action Against Hunger - USA entered into a new lease for office space in Washington DC., expiring on April 30, 2028.

At the commencement of the Washington DC lease, Action Against Hunger - USA recorded a right-of-use asset and an operating lease liability in the amount of \$1,058,978 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, 2022 and 2021, the unamortized right-of-use asset was \$958,737 and \$0, respectively and the unamortized operating lease liability was \$1,058,931 and \$0, respectively.

Total lease cost, including imputed interest and amortization of the right-of-use asset for the years ended December 31, 2022 and 2021 was \$687,114 and \$667,775, respectively. As of December 31, 2022, the weighted-average remaining lease term and rate for the leases are 7.66 years and 3%, respectively.

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

Year Ending December 31,

2023	\$ 781,741
2024	929,247
2025	1,042,518
2026	1,063,377
2027	1,085,206
Thereafter	<u>2,650,333</u>
	7,552,422
Less: imputed interest	<u>(845,958)</u>
TOTAL OPERATING LEASE OBLIGATION	<u>\$ 6,706,464</u>

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

ACTION AGAINST HUNGER - USA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 in 2021, the employee must have completed 1,000 hours of service within 12 consecutive months of employment. In order to qualify for the employer contribution in 2022, the employee must have completed a minimum of six months of service during the year and be an employee as of December 31, 2022. Participants are completely vested after three years of service. For the years ended December 31, 2022 and 2021, total contributions to the Plan were \$341,942 and \$140,153, respectively.

13. CONTINGENCIES

U.S. Government awards -

Action Against Hunger - USA receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2022. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign Government, International Organization and Other Grantor awards -

Action Against Hunger - USA receives grants and contracts from foreign governments, international organizations and other grantors. Such grants and contracts are subject to audit under the provisions stated in each grant agreement or contract. 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, 2022 and 2021, Action Against Hunger - USA had cash, property, and equipment and receivables in various foreign countries totaling approximately \$7,450,000 and \$4,300,000, which represent approximately 6.41% and 3.77% of Action Against Hunger - USA's total assets as of December 31, 2022 and 2021, respectively.

ACTION AGAINST HUNGER - USA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

14. SUBSEQUENT EVENTS

In preparing these financial statements, Action Against Hunger - USA has evaluated events and transactions for potential recognition or disclosure through August 24, 2023, the date the financial statements were issued.