

FINANCIAL STATEMENTS



**ACTION
AGAINST
HUNGER**

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

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

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 & Freedman".

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)
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

	<u>Without Donor Restrictions</u>						
	<u>Undesignated</u>	<u>Management Designated</u>	<u>Board Designated</u>	<u>Total Designated</u>	<u>Total Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
		<u>Program Development</u>	<u>Emergency Fund</u>				
Net assets at December 31, 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

									Supporting Services			
South Sudan Programs	Tanzania Programs	Uganda Programs	Total Program Services	Program Support	Management and General	Fundraising	Total Supporting Services	Total Expenses				
\$ 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.