

ACTIONAID USA

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2017 and 2016
and
Report Thereon**

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
ActionAid USA

We have audited the accompanying financial statements of ActionAid USA, an affiliate of ActionAid International, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

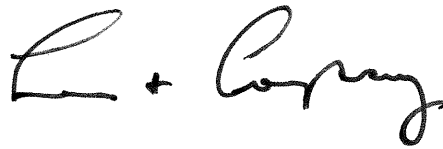
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ActionAid USA as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ActionAid USA's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink, consisting of a stylized 'L' followed by a plus sign and the name 'Cooper'.

Washington, D.C.
May 24, 2018

ACTIONAID USA
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,106,767	\$ 1,150,639
Accounts receivable	-	18,029
Grants receivable, net of discount	2,474,253	2,015,877
Prepaid expenses	32,975	42,907
Property and equipment, net	42,167	53,530
Security deposit	<u>25,270</u>	<u>35,641</u>
 Total Assets	 <u>\$ 3,681,432</u>	 <u>\$ 3,316,623</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 48,666	\$ 43,971
Affiliate payable	131,560	131,970
Line of credit	-	200,000
Deferred rent and leasehold incentive liability	<u>122,152</u>	<u>4,605</u>
 Total Liabilities	 302,378	 380,546
 Net Assets		
Unrestricted		
Undesignated	201,734	42,772
Board designated	<u>100,000</u>	<u>-</u>
 Total Unrestricted Net Assets	 301,734	 42,772
 Temporarily restricted	 <u>3,077,320</u>	 <u>2,893,305</u>
 Total Net Assets	 <u>3,379,054</u>	 <u>2,936,077</u>
 Total Liabilities and Net Assets	 <u>\$ 3,681,432</u>	 <u>\$ 3,316,623</u>

The accompanying notes are an integral part of these financial statements.

ACTIONAID USA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016 Total</u>
Revenue and Support				
Grants	\$ 460,800	\$ 7,602,373	\$ 8,063,173	\$ 2,566,569
Contributions	221,801	300,710	522,511	392,161
Interest income	724	-	724	620
Net assets released from restrictions	<u>7,719,068</u>	<u>(7,719,068)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>8,402,393</u>	<u>184,015</u>	<u>8,586,408</u>	<u>2,959,350</u>
Expenses				
Program Services				
Policy and campaign	6,874,321	-	6,874,321	3,137,708
Media	<u>421,996</u>	<u>-</u>	<u>421,996</u>	<u>230,471</u>
Total Program Services	<u>7,296,317</u>	<u>-</u>	<u>7,296,317</u>	<u>3,368,179</u>
Supporting Services				
General and administrative	316,201	-	316,201	332,265
Fundraising	<u>530,913</u>	<u>-</u>	<u>530,913</u>	<u>743,769</u>
Total Supporting Services	<u>847,114</u>	<u>-</u>	<u>847,114</u>	<u>1,076,034</u>
Total Expenses	<u>8,143,431</u>	<u>-</u>	<u>8,143,431</u>	<u>4,444,213</u>
Change in Net Assets	<u>258,962</u>	<u>184,015</u>	<u>442,977</u>	<u>(1,484,863)</u>
Net Assets, Beginning of Year	<u>42,772</u>	<u>2,893,305</u>	<u>2,936,077</u>	<u>4,420,940</u>
Net Assets, End of Year	<u>\$ 301,734</u>	<u>\$ 3,077,320</u>	<u>\$ 3,379,054</u>	<u>\$ 2,936,077</u>

The accompanying notes are an integral part of these financial statements.

ACTIONAID USA
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2017
 (With Summarized Financial Information for the Year Ended December 31, 2016)

	Policy and Campaign	Media	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2017 Totals	2016 Totals
Grant and subgrants	\$ 5,927,344	\$ -	\$ 5,927,344	\$ -	\$ -	\$ -	\$ 5,927,344	\$ 2,416,289
Personnel costs	736,217	172,615	908,832	106,892	364,852	471,744	1,380,576	1,451,267
Professional services	39,255	182,263	221,518	72,733	56,336	129,069	350,587	258,576
Occupancy	84,819	19,887	104,706	12,315	42,034	54,349	159,055	127,741
Travel and transportation	78,929	25,715	104,644	19,137	61,986	81,123	185,767	123,983
Materials and service	269	10,603	10,872	24,291	6	24,297	35,169	38,414
Miscellaneous	2,171	48	2,219	58,969	5,699	64,668	66,887	16,460
Equipment	5,317	10,865	16,182	10,501	-	10,501	26,683	7,471
Depreciation and amortization	-	-	-	11,363	-	11,363	11,363	4,013
2017 Totals	\$ 6,874,321	\$ 421,996	\$ 7,296,317	\$ 316,201	\$ 530,913	\$ 847,114	\$ 8,143,431	
2016 Totals	\$ 3,137,708	\$ 230,471	\$ 3,368,179	\$ 332,265	\$ 743,769	\$ 1,076,034		\$ 4,444,213

The accompanying notes are an integral part of these financial statements.

ACTIONAID USA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 442,977	\$ (1,484,863)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Depreciation and amortization	11,363	4,013
Discount on grants receivable	42,522	(20,098)
Change in assets and liabilities		
Accounts receivable	18,029	2,208
Grants receivable	(500,898)	1,425,079
Prepaid expenses	9,932	(16,681)
Security deposit	10,371	(25,270)
Accounts payable and accrued expenses	4,695	(4,347)
Affiliate payable	(410)	79,492
Deferred rent and leasehold incentive liability	<u>117,547</u>	<u>(26,665)</u>
Net cash provided by/(used in) operating activities	<u>156,128</u>	<u>(67,132)</u>
Cash flows used in investing activities		
Purchase of equipment	<u>-</u>	<u>(55,000)</u>
Net cash used in investing activities	<u>-</u>	<u>(55,000)</u>
Cash flows provided by/(used in) financing activities		
Line of credit	<u>(200,000)</u>	<u>200,000</u>
Net cash provided by/(used in) financing activities	<u>(200,000)</u>	<u>200,000</u>
Net increase/(decrease) in cash and cash equivalents	(43,872)	77,868
Cash and cash equivalents, beginning of year	<u>1,150,639</u>	<u>1,072,771</u>
Cash and cash equivalents, end of year	<u>\$ 1,106,767</u>	<u>\$ 1,150,639</u>

The accompanying notes are an integral part of these financial statements.

ACTIONAID USA
Notes to Financial Statements
For the Year Ended December 31, 2017

1. ORGANIZATION

ActionAid USA is a publicly supported 501(c)(3) non-profit organization and is the U.S. affiliate of ActionAid International (AAI), an antipoverty agency working in 43 countries, taking sides with poor people to end poverty and injustice together. ActionAid USA raises money for international development projects in the countries where our partner affiliates work and educates the U.S. public, other nonprofit organizations and government institutions about food, health, education, emergencies, women's rights and democratic governance in developing countries. These activities are funded primarily through grants and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

ActionAid USA's financial statements are presented on the accrual basis of accounting, which presents financial position, activities, functional expenses and cash flows in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds in checking accounts and money market accounts.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over estimated useful lives of three to five years. It is ActionAid USA's policy to capitalize property and equipment over \$5,000. Expenditures for major repairs and improvements are capitalized and expenditures for minor repairs and maintenance costs are expensed as incurred in line with the capitalization policy.

Continued

ACTIONAID USA
Notes to Financial Statements
For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Net Assets

ActionAid USA's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of ActionAid USA's operations. As of December 31, 2017, unrestricted net assets included \$100,000 that has been designated by the Board of Directors as a reserve.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods.

Revenue Recognition

Grants and contributions are recorded as revenue and support when received or pledged, whichever occurs first. ActionAid USA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to one of ActionAid USA's programs or to future periods. When a donor restriction is met, that is, when a purpose restriction is accomplished or a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Revenue recognized on grants and contributions that have been earned or committed to ActionAid USA, but have not been received, is reflected as grants receivable in the accompanying statement of financial position.

Grants receivable that are expected to be collected within one year are recorded at their net realizable value. Grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates appropriate for the expected term of the promise to give. Amortization of the discount is included in grants revenue in the accompanying statement of activities.

Continued

ACTIONAID USA
Notes to Financial Statements
For the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

ActionAid USA maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor per institution. ActionAid USA's cash and cash equivalents are held in checking and money market accounts. Management continually monitors its positions with, and credit quality of, the financial institutions with which it places its cash and cash equivalents and believes these amounts are not subject to significant credit risk.

Income Taxes

ActionAid USA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. At December 31, 2017 no provision for income taxes was made as ActionAid USA had no net unrelated business income. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

Functional Expenses

The costs of providing ActionAid USA's various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services benefited.

3. GRANTS RECEIVABLE

Grants receivable represent amounts due from individual donors and foundations. A discount rate based on a three-year treasury yield curve was used to determine the net present value. The amounts are due as follows:

Less than one year	\$ 241,183
One to five years	<u>2,275,592</u>
Grants Receivable	2,516,775
Less: Present value component	<u>(42,522)</u>
Grants Receivable, Net	<u>\$ 2,474,253</u>

Continued

ACTIONAID USA
Notes to Financial Statements
For the Year Ended December 31, 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017:

Furniture and equipment	\$ 128,606
Website and software	132,924
Leasehold improvements	<u>10,897</u>
Property and Equipment, Gross	272,427
Less: Accumulated depreciation and amortization	<u>(230,260)</u>
Property and Equipment, Net	<u>\$ 42,167</u>

Total depreciation and amortization expense for the year ended December 31, 2017 was \$11,363.

5. LINE OF CREDIT

ActionAid USA had a revolving line of credit of \$500,000 with advances available until September 1, 2017. The interest rate on the outstanding principal balance is the greater of an indexed rate set by the lender or 4.0%. As of December 31, 2016, ActionAid USA had borrowed \$200,000 against this line of credit and paid off the principal balance during 2017. The line of credit was not renewed upon expiration.

6. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, temporarily restricted net assets were available for the following policy and campaign purposes:

Food & Agriculture	\$ 2,225,393
Climate & Tax	26,499
Biofuels & Land Rights	233,015
Women's Rights	287,387
Education	304,476
Emergency Response	<u>550</u>
Temporarily Restricted Net Assets	<u>\$ 3,077,320</u>

Continued

ACTIONAID USA
Notes to Financial Statements
For the Year Ended December 31, 2017

7. COMMITMENTS AND CONTINGENCIES

ActionAid USA leased office space under a noncancelable operating lease which expired on February 28, 2017. In 2016, ActionAid USA finalized a lease for new office space beginning March 1, 2017 and expiring on February 29, 2028. The lease includes provisions for fixed annual rent escalations and a tenant improvement allowance. Under generally accepted accounting principles, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Future minimum lease payments as of December 31, 2017, for office space are as follows:

2018	\$	154,792
2019		158,663
2020		162,638
2021		166,693
2022		170,854
Thereafter		<u>920,556</u>
Total	\$	<u>1,734,196</u>

Rent expense for the year ended December 31, 2017 was \$159,055.

8. AFFILIATION WITH ACTIONAID INTERNATIONAL

ActionAid USA has an affiliation agreement with ActionAid International (AAI), a Johannesburg-based organization. Under the terms of the agreement, ActionAid USA has the exclusive right to use AAI's name in the United States through February 2028. ActionAid USA is responsible for all fundraising within the United States for international development projects in the countries where the partner affiliates work. During the year ended December 31, 2017, ActionAid USA made grant awards to AAI of \$5,927,344 to support international development projects in the countries where the partner affiliates work. This amount is included in grants and subgrants in accompanying statement of functional expenses. AAI also reimburses ActionAid USA for costs related to travel within the United States by employees of partner affiliates.

As of December 31, 2017, the net amount payable by ActionAid USA to AAI related to this agreement was \$131,560, which is reported as affiliate payable in the accompanying statement of financial position.

ACTIONAID USA
Notes to Financial Statements
For the Year Ended December 31, 2017

9. PENSION PLAN

On January 1, 2002, ActionAid USA established a defined contribution plan under Section 403(b) of the Internal Revenue Code. Substantially all of ActionAid USA's employees are eligible to participate in the plan. For the year ended December 31, 2017, no employer matching contribution was made.

10. SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ActionAid USA's financial statements for the year ended December 31, 2016, from which the summarized information was prepared.

11. SUBSEQUENT EVENTS

In preparing these financial statements, ActionAid USA has evaluated events and transactions for potential recognition or disclosure through May 24, 2018, the date the financial statements were available for issue. There were no subsequent events that require recognition of, or disclosure in the financial statements.