

ACTIONAID USA

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FINANCIAL STATEMENTS

For the Years Ended  
December 31, 2018 and 2017  
and  
Report Thereon

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## **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, 2018, 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.

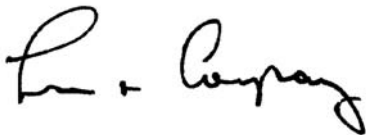
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2018, 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "L. + Company".

Washington, D.C.  
May 10, 2019

ACTIONAID USA  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 546,453	\$ 1,106,767
Accounts receivable	66,824	-
Grants receivable, net of discount	2,403,608	2,474,253
Prepaid expenses	31,071	32,975
Property and equipment, net	31,167	42,167
Security deposit	<u>25,270</u>	<u>25,270</u>
 Total Assets	 <u>\$ 3,104,393</u>	 <u>\$ 3,681,432</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 57,100	\$ 48,666
Affiliate payable	4,079	131,560
Deferred rent and leasehold incentive liability	<u>129,104</u>	<u>122,152</u>
 Total Liabilities	 190,283	 302,378
 Net Assets		
Net Assets without donor restrictions	106,987	301,734
Net Assets with donor restrictions	<u>2,807,123</u>	<u>3,077,320</u>
 Total Net Assets	 <u>2,914,110</u>	 <u>3,379,054</u>
 Total Liabilities and Net Assets	 <u>\$ 3,104,393</u>	 <u>\$ 3,681,432</u>

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

ACTIONAID USA  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018  
(With Summarized Financial Information for the Year Ended December 31, 2017)

	<u>Without</u> <u>Restrictions</u>	<u>With</u> <u>Restrictions</u>	<u>2018</u>	<u>2017 Total</u>
Revenue and Support				
Grants	\$ 345,050	\$ 1,682,356	\$ 2,027,406	\$ 8,063,173
Contributions	230,808	166,047	396,855	522,511
Rental income	2,200	-	2,200	-
Interest income	6,634	-	6,634	724
Net assets released from restrictions	<u>2,118,600</u>	<u>(2,118,600)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>2,703,292</u>	<u>(270,197)</u>	<u>2,433,095</u>	<u>8,586,408</u>
Expenses				
Program Services				
Policy and campaign	1,862,888	-	1,862,888	6,874,321
Media	<u>244,530</u>	<u>-</u>	<u>244,530</u>	<u>421,996</u>
Total Program Services	<u>2,107,418</u>	<u>-</u>	<u>2,107,418</u>	<u>7,296,317</u>
Supporting Services				
General and administrative	318,789	-	318,789	316,201
Fundraising	<u>471,832</u>	<u>-</u>	<u>471,832</u>	<u>530,913</u>
Total Supporting Services	<u>790,621</u>	<u>-</u>	<u>790,621</u>	<u>847,114</u>
Total Expenses	<u>2,898,039</u>	<u>-</u>	<u>2,898,039</u>	<u>8,143,431</u>
Change in Net Assets	<u>(194,747)</u>	<u>(270,197)</u>	<u>(464,944)</u>	<u>442,977</u>
Net Assets, Beginning of Year	<u>301,734</u>	<u>3,077,320</u>	<u>3,379,054</u>	<u>2,936,077</u>
Net Assets, End of Year	<u>\$ 106,987</u>	<u>\$ 2,807,123</u>	<u>\$ 2,914,110</u>	<u>\$ 3,379,054</u>

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

ACTIONAID USA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2018  
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Policy and Campaign	Media	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2018 Totals	2017 Totals
Grant and subgrants	\$ 865,330	\$ -	\$ 865,330	\$ -	\$ -	\$ -	\$ 865,330	\$ 5,927,344
Personnel costs	778,753	125,869	904,622	156,557	344,577	501,134	1,405,756	1,380,576
Professional services	55,806	91,191	146,997	74,497	42,692	117,189	264,186	350,587
Occupancy	91,729	14,826	106,555	18,441	40,587	59,028	165,583	159,055
Travel and transportation	66,927	7,079	74,006	25,171	36,064	61,235	135,241	185,767
Materials and service	1,120	5,565	6,685	21,895	590	22,485	29,170	35,169
Miscellaneous	-	-	-	7,599	6,411	14,010	14,010	66,887
Equipment	3,223	-	3,223	3,629	911	4,540	7,763	26,683
Depreciation and amortization	-	-	-	11,000	-	11,000	11,000	11,363
2018 Totals	\$ 1,862,888	\$ 244,530	\$ 2,107,418	\$ 318,789	\$ 471,832	\$ 790,621	\$ 2,898,039	
2017 Totals	\$ 6,874,321	\$ 421,996	\$ 7,296,317	\$ 316,201	\$ 530,913	\$ 847,114	\$ 8,143,431	

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

ACTIONAID USA  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (464,944)	\$ 442,977
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Depreciation and amortization	11,000	11,363
Discount on grants receivable	19,984	42,522
Change in assets and liabilities		
Accounts receivable	(66,824)	18,029
Grants receivable	50,661	(500,898)
Prepaid expenses	1,904	9,932
Security deposit	-	10,371
Accounts payable and accrued expenses	8,434	4,695
Affiliate payable	(127,481)	(410)
Deferred rent and leasehold incentive liability	<u>6,952</u>	<u>117,547</u>
Net cash provided by/(used in) operating activities	<u>(560,314)</u>	<u>156,128</u>
Cash flows used in financing activities		
Line of credit	<u>-</u>	<u>(200,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(200,000)</u>
Net decrease in cash and cash equivalents	(560,314)	(43,872)
Cash and cash equivalents, beginning of year	<u>1,106,767</u>	<u>1,150,639</u>
Cash and cash equivalents, end of year	<u>\$ 546,453</u>	<u>\$ 1,106,767</u>

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

**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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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.

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**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Net Assets

ActionAid USA's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of ActionAid USA's operations. As of December 31, 2018, net assets without donor restrictions included \$100,000 that has been designated by the Board of Directors as a reserve.
- Net assets with donor restrictions 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 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, net assets with donor restrictions are reclassified to net assets without restrictions 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 net assets without restrictions 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.

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**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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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, 2018, 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 directly allocated to programs and supporting services based on the nature of the expenses and certain indirect costs have been proportionately allocated among the programs and supporting services benefited based on a percentage of personnel costs across departments.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers (Topic 606). The update requires that revenue should be recognized to depict the transfer of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for these goods and services, utilizing a five-step analysis of transactions to determine when the revenue is recognized. The guidance is effective for fiscal year 2019.

In February 2016, the FASB issued ASU 2016-02, Leases. The update requires a lessee to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in fiscal year 2020.

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**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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3. LIQUIDITY

ActionAid USA monitors liquidity required to meet its operating needs and other contractual commitments. The organization's primary source of liquidity at its disposal consists of cash and cash equivalents and various accounts receivable.

ActionAid USA receives significant contributions and promises to give restricted by donors; these funds are re-granted out to third parties in accordance with donor restrictions and are not utilized towards meeting general operating needs. Therefore, ActionAid USA does not consider these donor restricted net assets to be available to meet cash needs for general expenditures over a 12-month period.

The following table reflects ActionAid USA's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

ActionAid USA projects to receive additional contributions and commitments sufficient to fund general operating needs over the next 12 months.

Cash and cash equivalents	\$	546,453
Accounts receivable		66,824
Contributions receivable		<u>1,714,670</u>
Total financial assets		2,327,947
Less: Accounts payable and accrued expenses		(57,100)
Less: Affiliate payable		(4,079)
Less: Net assets with donor restrictions		<u>(2,807,122)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ (540,354)</u>

Continued

**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

4. 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	\$ 1,714,670
One to five years	<u>708,922</u>
Grants Receivable	2,423,592
Less: Discount to present value	<u>( 19,984)</u>
Grants Receivable, Net	<u>\$ 2,403,608</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

Furniture and equipment	\$ 10,897
Website and software	<u>55,000</u>
Property and Equipment, Gross	65,897
Less: Accumulated depreciation and amortization	<u>(34,730)</u>
Property and Equipment, Net	<u>\$ 31,167</u>

Total depreciation and amortization expense for the year ended December 31, 2018 was \$11,000.

6. LINE OF CREDIT

ActionAid USA had a revolving line of credit of \$500,000 with advances available through May 2020. The interest rate on the outstanding principal balance is the greater of an indexed rate set by the lender or 4.0%. For the year ended December 31, 2018, ActionAid USA did not borrow against this line of credit.

**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018, net assets with donor restrictions were available for the following policy and campaign purposes:

Food & Agriculture	\$ 2,023,021
Biofuels & Land Rights	302,306
Women's Rights	238,710
Education	146,693
Climate & Tax	69,090
Emergency Response	<u>27,303</u>
Net Assets With Donor Restrictions	<u>\$ 2,807,123</u>

8. COMMITMENTS AND CONTINGENCIES

ActionAid USA leases office space under a noncancelable operating lease which expires on February 28, 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, 2018, for office space are as follows:

2019	\$ 158,663
2020	162,638
2021	166,693
2022	170,854
2023	175,125
Thereafter	<u>745,431</u>
Total	<u>\$ 1,579,404</u>

Rent expense for the year ended December 31, 2018 was \$165,583.

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**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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9. 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, 2018, ActionAid USA made grant awards to AAI of \$865,330 to support international development projects in the countries where the partner affiliates work. This amount is reported as 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, 2018, the net amount payable by ActionAid USA to AAI related to this agreement was \$4,079, which is reported as affiliate payable in the accompanying statement of financial position.

10. 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, 2018, employer matching contributions totaling \$21,596 were made.

11. 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, 2017, from which the summarized information was prepared.

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**ACTIONAID USA**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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12. SUBSEQUENT EVENTS

In preparing these financial statements, ActionAid USA has evaluated events and transactions for potential recognition or disclosure through May 10, 2019, the date the financial statements were available for issue. There were no subsequent events that require recognition of, or disclosure in the financial statements.

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