

**FINANCIAL STATEMENTS**

# **ACTIONAID INTERNATIONAL USA**

**FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2004**

# ACTIONAID INTERNATIONAL USA

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
ActionAid International USA  
Washington, D.C

We have audited the accompanying statement of financial position of ActionAid International USA as of December 31, 2005, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ActionAid International USA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2004 financial statements and, in our report dated May 11, 2005, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ActionAid International USA as of December 31, 2005, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

March 8, 2006

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**ACTIONAID INTERNATIONAL USA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2005**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

| <b>ASSETS</b>                           |           | <u>2005</u>           | <u>2004</u>             |
|---|-----------|-----------------------|-------------------------|
| <b>CURRENT ASSETS</b>                   |           |                       |                         |
| Cash and cash equivalents (Note 2)      | \$        | 330,518               | \$ 60,992               |
| Accounts receivable                     |           | 21,063                | 3,930                   |
| Prepaid expenses                        |           | <u>4,135</u>          | <u>6,802</u>            |
| Total current assets                    |           | <u>355,716</u>        | <u>71,724</u>           |
| <b>OTHER ASSETS</b>                     |           |                       |                         |
| Security deposit                        |           | <u>6,048</u>          | <u>6,048</u>            |
| <b>TOTAL ASSETS</b>                     | <b>\$</b> | <b><u>361,764</u></b> | <b>\$ <u>77,772</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>       |           |                       |                         |
| <b>CURRENT LIABILITIES</b>              |           |                       |                         |
| Accounts payable                        | \$        | 7,290                 | \$ 17,426               |
| Accrued vacation                        |           | <u>9,538</u>          | <u>7,197</u>            |
| Total current liabilities               |           | <u>16,828</u>         | <u>24,623</u>           |
| <b>LONG-TERM LIABILITIES</b>            |           |                       |                         |
| Deposits held in escrow                 |           | <u>2,651</u>          | <u>2,651</u>            |
| Total liabilities                       |           | <u>19,479</u>         | <u>27,274</u>           |
| <b>NET ASSETS</b>                       |           |                       |                         |
| Unrestricted                            |           | 305,473               | 7,336                   |
| Temporarily restricted (Note 3)         |           | <u>36,812</u>         | <u>43,162</u>           |
| Total net assets                        |           | <u>342,285</u>        | <u>50,498</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$</b> | <b><u>361,764</u></b> | <b>\$ <u>77,772</u></b> |

See accompanying notes to financial statements.

## ACTIONAID INTERNATIONAL USA

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

|   | 2005                     |                           |                          | 2004                    |
|---|--------------------------|---------------------------|--------------------------|-------------------------|
|   | Unrestricted             | Temporarily<br>Restricted | Total                    | Total                   |
| <b>REVENUE</b>  |                          |                           |                          |                         |
| Grants (Notes 6 and 7)                                  | \$ 1,085,155             | \$ 228,750                | \$ 1,313,905             | \$ 747,977              |
| Contributions   | 13,996                   | 54,876                    | 68,872                   | 3,860                   |
| Interest income   | 20                       | -                         | 20                       | 100                     |
| Contributed services and materials                      | 12,250                   | -                         | 12,250                   | 16,035                  |
| Other revenue   | -                        | -                         | -                        | 3,397                   |
| Net assets released from donor<br>restrictions (Note 4) | <u>289,976</u>           | <u>(289,976)</u>          | <u>-</u>                 | <u>-</u>                |
| Total revenue   | <u>1,401,397</u>         | <u>(6,350)</u>            | <u>1,395,047</u>         | <u>771,369</u>          |
| <b>EXPENSES</b>   |                          |                           |                          |                         |
| Program services:                                       |                          |                           |                          |                         |
| Food and Hunger   | 60,528                   | -                         | 60,528                   | 3,743                   |
| Gender  | 27,028                   | -                         | 27,028                   | -                       |
| Policy, Research and Advocacy                           | 117,220                  | -                         | 117,220                  | 197,799                 |
| Media   | 80,802                   | -                         | 80,802                   | 49,703                  |
| HIV/AIDS  | 4,130                    | -                         | 4,130                    | 7,931                   |
| Grants to Other AA Offices                              | 230,205                  | -                         | 230,205                  | 201,745                 |
| IFI and Global Governance                               | 144,980                  | -                         | 144,980                  | -                       |
| Emergency   | 18,861                   | -                         | 18,861                   | -                       |
| Education   | 64,094                   | -                         | 64,094                   | 1,241                   |
| US-India  | -                        | -                         | -                        | 7,264                   |
| Total program<br>services                               | <u>747,848</u>           | <u>-</u>                  | <u>747,848</u>           | <u>469,426</u>          |
| Supporting services:                                    |                          |                           |                          |                         |
| General and Administrative                              | 245,307                  | -                         | 245,307                  | 185,957                 |
| Fundraising   | <u>110,105</u>           | <u>-</u>                  | <u>110,105</u>           | <u>89,289</u>           |
| Total supporting<br>services                            | <u>355,412</u>           | <u>-</u>                  | <u>355,412</u>           | <u>275,246</u>          |
| Total expenses  | <u>1,103,260</u>         | <u>-</u>                  | <u>1,103,260</u>         | <u>744,672</u>          |
| Change in net assets                                    | 298,137                  | (6,350)                   | 291,787                  | 26,697                  |
| Net assets at beginning of year                         | <u>7,336</u>             | <u>43,162</u>             | <u>50,498</u>            | <u>23,801</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                        | <b><u>\$ 305,473</u></b> | <b><u>\$ 36,812</u></b>   | <b><u>\$ 342,285</u></b> | <b><u>\$ 50,498</u></b> |

See accompanying notes to financial statements

**ACTIONAID INTERNATIONAL USA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

|                             | <b>2005</b>                |                  |   |                  |                 |   |  |
|-----------------------------|----------------------------|------------------|---|------------------|-----------------|---|--|
|                             |                            |                  |   |                  |                 |   | <b>Program</b>                           |
|                             | <b>Food and<br/>Hunger</b> | <b>Gender</b>    | <b>Policy<br/>Research and<br/>Advocacy</b> | <b>Media</b>     | <b>HIV/AIDS</b> | <b>Grants to<br/>Other AA<br/>Offices</b> | <b>IFI and<br/>Global<br/>Governance</b> |
| Salaries and benefit        | \$ 37,734                  | \$ -             | \$ 82,027                                   | \$ 60,706        | \$ -            | \$ -                                      | \$ 62,404                                |
| Recruitment expenses        | 50                         | -                | -   | -                | -               | -   | -  |
| Telephone                   | 782                        | 129              | 2,997                                       | 6,218            | -               | -   | 3,624                                    |
| Rent                        | -                          | -                | -   | -                | -               | -   | -  |
| Postage and delivery        | -                          | 131              | 131   | 577              | 3,811           | -   | 100                                      |
| Supplies                    | 89                         | -                | -   | -                | -               | -   | 16                                       |
| Office equipment            | 1,336                      | -                | 1,794                                       | -                | -               | -   | 174                                      |
| Copying and printing        | 659                        | -                | 299   | 5,294            | -               | -   | 21,779                                   |
| Subscriptions and dues      | 200                        | -                | 1,395                                       | 132              | -               | -   | -  |
| Publications                | -                          | 2,701            | 95  | 576              | -               | -   | 212                                      |
| Computer fees               | -                          | -                | -   | -                | -               | -   | -  |
| Visa permits                | -                          | -                | -   | -                | -               | -   | -  |
| Per diems overseas visitors | 3,544                      | 15,271           | -   | -                | -               | -   | 3,907                                    |
| Travel and subsistence      | 10,753                     | 5,936            | 23,858                                      | 2,475            | 70              | -   | 23,458                                   |
| Meetings and conferences    | 2,977                      | 2,310            | 3,862                                       | -                | 81              | -   | 4,939                                    |
| Consultancy fees            | 2,404                      | 550              | 762   | -                | -               | -   | 23,890                                   |
| Bank charges                | -                          | -                | -   | -                | -               | -   | 303                                      |
| Repairs and maintenance     | -                          | -                | -   | -                | -               | -   | -  |
| Advertising and promotion   | -                          | -                | -   | 4,824            | 168             | -   | 174                                      |
| Staff development training  | -                          | -                | -   | -                | -               | -   | -  |
| Subgrants                   | -                          | -                | -   | -                | -               | 230,205                                   | -  |
| Tariffs in Europe           | -                          | -                | -   | -                | -               | -   | -  |
| Travel insurance            | -                          | -                | -   | -                | -               | -   | -  |
| <b>TOTAL</b>                | <b>\$ 60,528</b>           | <b>\$ 27,028</b> | <b>\$ 117,220</b>                           | <b>\$ 80,802</b> | <b>\$ 4,130</b> | <b>\$ 230,205</b>                         | <b>\$ 144,980</b>                        |

See accompanying notes to financial statements

|                  |                  |                        |                            |                   |                           |                     | 2004              |
|------------------|------------------|------------------------|----------------------------|-------------------|---------------------------|---------------------|-------------------|
| Services         |                  |                        | Supporting Services        |                   |                           |                     |                   |
| Emergency        | Education        | Total Program Services | General and Administrative | Fundraising       | Total Supporting Services | Total               | Total             |
| \$ -             | \$ -             | \$ 242,871             | \$ 121,861                 | \$ 68,463         | \$ 190,324                | \$ 433,195          | \$ 330,391        |
| -                | -                | 50                     | -                          | -                 | -                         | 50                  | 651               |
| -                | -                | 13,750                 | 3,096                      | 2,645             | 5,741                     | 19,491              | 14,613            |
| -                | -                | -                      | 60,113                     | -                 | 60,113                    | 60,113              | 47,447            |
| -                | 3,075            | 7,825                  | 1,855                      | 588               | 2,443                     | 10,268              | 4,559             |
| -                | -                | 105                    | 3,171                      | -                 | 3,171                     | 3,276               | 2,605             |
| -                | -                | 3,304                  | 11,326                     | 1,908             | 13,234                    | 16,538              | 14,007            |
| -                | -                | 28,031                 | 1,095                      | 147               | 1,242                     | 29,273              | 23,010            |
| -                | -                | 1,727                  | 120                        | 1,749             | 1,869                     | 3,596               | 3,569             |
| -                | -                | 3,584                  | 74                         | 123               | 197                       | 3,781               | 312               |
| -                | -                | -                      | 1,537                      | -                 | 1,537                     | 1,537               | 4,947             |
| -                | -                | -                      | 2,912                      | -                 | 2,912                     | 2,912               | -                 |
| -                | 3,163            | 25,885                 | -                          | -                 | -                         | 25,885              | -                 |
| -                | 1,337            | 67,887                 | 5,907                      | 9,885             | 15,792                    | 83,679              | 39,499            |
| 93               | 10,500           | 24,762                 | 1,557                      | 1,106             | 2,663                     | 27,425              | 3,471             |
| -                | 46,019           | 73,625                 | 29,352                     | 23,129            | 52,481                    | 126,106             | 28,382            |
| -                | -                | 303                    | 608                        | -                 | 608                       | 911                 | 408               |
| -                | -                | -                      | 723                        | -                 | 723                       | 723                 | 4,978             |
| 2,159            | -                | 7,325                  | -                          | 362               | 362                       | 7,687               | 9,917             |
| -                | -                | -                      | -                          | -                 | -                         | -                   | 2,276             |
| 16,609           | -                | 246,814                | -                          | -                 | -                         | 246,814             | 209,009           |
| -                | -                | -                      | -                          | -                 | -                         | -                   | 299               |
| -                | -                | -                      | -                          | -                 | -                         | -                   | 322               |
| <b>\$ 18,861</b> | <b>\$ 64,094</b> | <b>\$ 747,848</b>      | <b>\$ 245,307</b>          | <b>\$ 110,105</b> | <b>\$ 355,412</b>         | <b>\$ 1,103,260</b> | <b>\$ 744,672</b> |

See accompanying notes to financial statements

**ACTIONAID INTERNATIONAL USA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

|  | <u>2005</u>              | <u>2004</u>             |
|--|--------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                         |
| Change in net assets   | \$ 291,787               | \$ 26,697               |
| Adjustments to reconcile change in net assets to<br>net cash provided by operating activities: |                          |                         |
| (Increase) decrease in:  |                          |                         |
| Accounts receivable  | (17,133)                 | (545)                   |
| Prepaid expenses   | 2,667                    | 6,466                   |
| Other assets   | -                        | (6,049)                 |
| Increase (decrease) in:  |                          |                         |
| Accounts payable   | (10,136)                 | 11,748                  |
| Accrued vacation   | 2,341                    | 1,933                   |
| Deposits held in escrow  | <u>-</u>                 | <u>2,651</u>            |
| Net cash provided by operating activities  | <u>269,526</u>           | <u>42,901</u>           |
| Net increase in cash and cash equivalents  | 269,526                  | 42,901                  |
| Cash and cash equivalents at beginning of year   | <u>60,992</u>            | <u>18,091</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 330,518</u></b> | <b><u>\$ 60,992</u></b> |

See accompanying notes to financial statements.

**ACTIONAID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

ActionAid International USA was incorporated under the laws of the District of Columbia. The organization was formed to build a nonviolent principled solidarity with governments, movements and organizations to eradicate poverty through quality analysis and advocacy from a pro-poor perspective, building up public pressure for change, and linking US private foundations to public actions of poor people.

Basis of presentation -

ActionAid International 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. The presentation of the accompanying financial statements is in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

Cash and cash equivalents include cash on hand and cash held in local financial institutions.

Income taxes -

ActionAid International USA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements. ActionAid International USA is not a private foundation.

Furniture and equipment -

Furniture and equipment are recorded at cost if over USD \$8,600. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets, generally five years. Furniture and equipment are expensed if under the capitalization threshold.

Contributions and grants -

Contributions and grants are recognized either in the period in which they are received or in the period when they are unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted and subsequently released from restriction to the extent that expenses have been incurred for the purposes specified.

Functional allocation of expenses -

The costs of ActionAid International USA's programs and administration have been summarized on a functional basis in the accompanying Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ACTIONAID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**2. CONCENTRATION OF CREDIT RISK**

At times throughout the year, ActionAid International USA's cash balance exceeds the Federal Deposit Insurance Corporation (FDIC) limit of \$100,000. ActionAid USA believes the risk associated with the excess balance is minimal.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2005:

|                        |           |                      |
|------------------------|-----------|----------------------|
| Fund Transfers from UK | \$        | 36,000               |
| Tsunami project        |           | <u>812</u>           |
|                        | <b>\$</b> | <b><u>36,812</u></b> |

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

|                                  |           |                       |
|----------------------------------|-----------|-----------------------|
| Moriah Fund                      | \$        | 50,000                |
| Private donors                   |           | 18,064                |
| Ford Foundation                  |           | 68,750                |
| Fund transfers from UK           |           | 42,588                |
| HIV/AIDS Project                 |           | 574                   |
| Stemcore USA, Inc.               |           | 100,000               |
| Schwab Fund of Charitable Giving |           | <u>10,000</u>         |
|                                  | <b>\$</b> | <b><u>289,976</u></b> |

**5. OPERATING LEASE**

ActionAid International USA entered into a non-cancelable five-year lease for office space commencing April 1, 2002 and expiring March 31, 2007. ActionAid International USA also subleases part of this space to CIVICUS. Future minimal rental payments under the leases are as follows:

|                                       |           |                       |
|---------------------------------------|-----------|-----------------------|
| <b><u>Year Ended December 31,</u></b> |           |                       |
|                                       | \$        | 81,083                |
| 2006                                  |           | 20,420                |
| 2007                                  |           | <u>101,503</u>        |
|                                       | <b>\$</b> | <b><u>101,503</u></b> |

**ACTIONAID INTERNATIONAL USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**5. OPERATING LEASE (Continued)**

Future minimum receipts from the sublease are as follows:

**Year Ended December 31,**

|      |                         |
|------|-------------------------|
| 2006 | \$ 20,036               |
| 2007 | <u>4,899</u>            |
|      | <b><u>\$ 24,935</u></b> |

Rent expense for the year ended December 31, 2005 was \$60,113, net of sublease income in the amount of \$19,625

**6. AFFILIATION WITH ACTIONAID INTERNATIONAL**

ActionAid International USA is affiliated with ActionAid International, a Johannesburg-based organization. ActionAid International USA received grants from ActionAid International in the amount of \$921,155 for the year ended December 31, 2005.

**7. ECONOMIC DEPENDENCY**

Approximately 65% of ActionAid International USA's revenue and support for the year ended December 31, 2005 was received from ActionAid International (Note 6). The organization continues to receive funding from ActionAid International, in addition to pursuing new sources of funding within the United States of America.

**8. PENSION PLAN**

ActionAid International USA established a defined contribution plan on January 1, 2002 under Section 403(b) of the Internal Revenue Code. All employees of ActionAid USA are eligible to participate in the plan. For the year ended December 31, 2005, pension expense was \$2,044.