



Financial Statements

For the Year Ended December 31, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)



and
Report Thereon





RAFFA

CONSULTING

ACCOUNTING

TECHNOLOGY

CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ActionAid International USA

We have audited the accompanying statement of financial position of ActionAid International USA, an affiliate of ActionAid International, as of December 31, 2007, and the related statements of activities, 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 ActionAid International USA's 2006 financial statements, which were audited by other auditors whose report dated April 13, 2007, 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 2007 financial statements referred to above present fairly, in all material respects, the financial position of ActionAid International USA as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
April 28, 2008

ACTIONAID INTERNATIONAL USA

STATEMENT OF FINANCIAL POSITION

December 31, 2007

(With Summarized Financial Information as of December 31, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,407,965	\$ 629,862
Investments	301,377	-
Accounts receivable	351,123	374,155
Grants receivable	7,387,220	8,361,980
Prepaid expenses	13,485	20,088
Furniture, equipment and leasehold improvements	161,942	47,803
Security deposit	10,371	16,419
	<u>9,633,483</u>	<u>9,450,307</u>
TOTAL ASSETS	<u>\$ 9,633,483</u>	<u>\$ 9,450,307</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 109,368	\$ 121,543
Accrued vacation	12,420	21,577
Deferred rent and leasehold incentive liability	64,968	-
Deposits held in escrow	2,651	-
	<u>189,407</u>	<u>143,120</u>
TOTAL LIABILITIES	<u>189,407</u>	<u>143,120</u>
Net Assets		
Unrestricted		
Unrestricted	760,686	727,570
Board designated	300,000	-
	<u>1,060,686</u>	<u>727,570</u>
Total Unrestricted Net Assets	<u>1,060,686</u>	<u>727,570</u>
Temporarily restricted	<u>8,383,390</u>	<u>8,579,617</u>
	<u>9,444,076</u>	<u>9,307,187</u>
TOTAL NET ASSETS	<u>9,444,076</u>	<u>9,307,187</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,633,483</u>	<u>\$ 9,450,307</u>

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

ACTIONAID INTERNATIONAL USA**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
REVENUE AND SUPPORT				
Grants	\$ 1,329,000	\$ 2,913,005	\$ 4,242,005	\$ 12,053,289
Contributions	390,518	-	390,518	410,747
Interest income	9,495	-	9,495	-
Other income	4,061	-	4,061	15,000
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,109,232</u>	<u>(3,109,232)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,842,306</u>	<u>(196,227)</u>	<u>4,646,079</u>	<u>12,479,036</u>
OPERATING EXPENSES				
Program services:				
Food and Hunger	489,933	-	489,933	349,543
IFI and Global Governance	553,293	-	553,293	814,966
Media	158,617	-	158,617	128,987
Women's Rights and HIV/AIDS	<u>2,632,000</u>	<u>-</u>	<u>2,632,000</u>	<u>1,859,824</u>
Total Program Services	<u>3,833,843</u>	<u>-</u>	<u>3,833,843</u>	<u>3,153,320</u>
Supporting services:				
General and Administrative	387,906	-	387,906	271,173
Fundraising	<u>287,441</u>	<u>-</u>	<u>287,441</u>	<u>89,641</u>
Total Supporting Services	<u>675,347</u>	<u>-</u>	<u>675,347</u>	<u>360,814</u>
TOTAL EXPENSES	<u>4,509,190</u>	<u>-</u>	<u>4,509,190</u>	<u>3,514,134</u>
CHANGE IN NET ASSETS	333,116	(196,227)	136,889	8,964,902
NET ASSETS, BEGINNING OF YEAR	<u>727,570</u>	<u>8,579,617</u>	<u>9,307,187</u>	<u>342,285</u>
NET ASSETS, END OF YEAR	<u>\$ 1,060,686</u>	<u>\$ 8,383,390</u>	<u>\$ 9,444,076</u>	<u>\$ 9,307,187</u>

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

ACTIONAID INTERNATIONAL USA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

	Program Services				Supporting Services			2007 Total	2006 Total	
	Food and Hunger	IFI and Global Governance	Media	Women's Rights and HIV/ AIDS	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Personnel costs	\$ 128,480	\$ 123,497	\$ 106,647	\$ 87,562	\$ 446,186	\$ 247,564	\$ 200,672	\$ 448,236	\$ 894,422	\$ 608,816
Professional services	34,280	54,910	8,280	8,220	105,690	32,091	12,413	44,504	150,194	106,536
Equipment	-	961	549	367	1,877	18,052	2,168	20,220	22,097	10,993
Materials and service	11,247	14,442	16,808	17,846	60,343	29,796	10,934	40,730	101,073	39,994
Travel and transportation	109,410	80,489	8,473	118,879	317,251	18,944	27,648	46,592	363,843	161,868
Occupancy	14,709	14,139	12,209	10,025	51,082	28,343	22,974	51,317	102,399	63,671
Depreciation and miscellaneous	6,807	6,543	5,651	4,639	23,640	13,116	10,632	23,748	47,388	16,283
Grants and sub-grants	185,000	258,312	-	2,384,462	2,827,774	-	-	-	2,827,774	2,505,973
Total Expenses	\$ 489,933	\$ 553,293	\$ 158,617	\$ 2,632,000	\$ 3,833,843	\$ 387,906	\$ 287,441	\$ 675,347	\$ 4,509,190	\$ 3,514,134

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

ACTIONAID INTERNATIONAL USA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 136,889	\$ 8,964,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,492	-
Changes in assets and liabilities:		
Accounts receivable	23,032	(353,092)
Grants receivable	974,760	(8,361,981)
Prepaid expenses	6,603	(15,953)
Security deposit	6,048	(10,371)
Accounts payable and accrued expenses	(12,175)	114,253
Accrued vacation	(9,157)	12,039
Deferred rent liability	64,968	-
Deposits held in escrow	2,651	(2,651)
	<u>1,228,111</u>	<u>347,146</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(301,377)	-
Purchases of property and equipment	(148,631)	(47,802)
	<u>(450,008)</u>	<u>(47,802)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	778,103	299,344
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>629,862</u>	<u>330,518</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,407,965</u>	<u>\$ 629,862</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash investing activity - leasehold allowance	<u>\$ 70,708</u>	<u>\$ -</u>

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

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. **Organization and Summary of Significant Accounting Policies**

Organization

ActionAid International USA is the U.S. affiliate of ActionAid International, an anti-poverty agency working in 49 countries, taking sides with poor people to end poverty and injustice together. ActionAid International USA raises money for international development projects in the countries where our partner affiliates work, and educates the US public, other non-profit 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.

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 as ActionAid International USA had no net unrelated business income.

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, cash held in local financial institutions, and certificates of deposits with original maturities of ninety days or less.

Investments

Investments are comprised of certificates of deposit and are recorded in the financial statements at cost plus accrued interest, which approximates fair value.

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. Organization and Summary of Significant Accounting Policies (continued)

Furniture, Equipment and Leasehold Improvements

Furniture and equipment are recorded at cost if over \$10,000. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets, generally five years. Leasehold improvements are amortized using the straight-line method over the term of the lease. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization is eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses.

Classification of Net Assets

The net assets of ActionAid International USA are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of ActionAid International USA's operations. Unrestricted net assets also include assets that have 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 when received or pledged, whichever occurs first. ActionAid International 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 International 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 International USA, but have not been received, is reflected as grants receivable in the accompanying statement of financial position.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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 contributions in the accompanying statement of activities.

Continued

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. Organization and Summary of Significant Accounting Policies (continued)

Grants and Sub-Grants Expense

Grants and sub-grants expense are recorded on the accompanying statement of functional expenses as ActionAid International USA commits to awarding a grant or sub-grant to ActionAid International (AAI) or an affiliate (see Note 5).

Functional Allocation of Expenses

The costs of providing ActionAid International 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 among the programs and supporting services.

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.

2. Grants Receivable

Grants receivable represent amounts due from individual donors and foundations. The amounts are due as follows:

Less than one year	\$ 3,435,503
One to five years	<u>4,625,250</u>
Subtotal	8,060,753
Less: Present value component	<u>(673,533)</u>
Net Grants Receivable	<u>\$ 7,387,220</u>

The discount rate used on long-term grants is 6.5%. All amounts are considered fully collectible.

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

3. Temporarily Restricted Net Assets

As of December 31, 2007 temporarily restricted net assets were available for the following programs and projects:

Women's Rights and HIV/AIDS	\$ 6,114,520
IFI and Global Governance	1,170,870
Food and Hunger	<u>1,098,000</u>
Total	<u>\$ 8,383,390</u>

4. Commitments and Risks

Operating Lease

During the year ended December 31, 2006 ActionAid International USA entered into a non-cancelable operating lease for its office space which expires in March 2012. The lease provides for fixed adjustments to the future minimum rental payments. Additionally, under the terms of this lease, ActionAid International USA received from the landlord a leasehold improvement allowance of \$70,708. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between GAAP rent expense and the required lease payment is reflected as deferred rent and leasehold allowance in the accompanying statement of financial position. As of December 31, 2007, future minimum rental payments required under the lease are as follows:

For the Years Ending	
<u>December 31,</u>	
2008	\$ 120,244
2009	123,851
2010	127,567
2011	131,394
Thereafter	<u>22,006</u>
Total	<u>\$ 525,062</u>

Continued

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

4. Commitments and Risks (continued)

Operating Lease (continued)

ActionAid International USA also subleases a portion of its space through a sub-lease agreement which expires in February 2009. Future minimum receipts from the sublease agreement are as follows:

For the Years Ending	
<u>December 31,</u>	
2008	\$ 8,046
2009	<u>1,341</u>
Total	<u>\$ 9,387</u>

Rent expense for the year ended December 31, 2007 was \$105,100 net of sublease income of \$2,701.

Concentration of Credit Risk

Cash and cash equivalents and investments are comprised of amounts in four bank accounts. While these amounts at times exceed the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protection Corporation (SIPC) and therefore bear some risk, ActionAid International USA has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2007, the amount in excess of the FDIC and SIPC limits was \$824,344.

5. Affiliation with ActionAid International

ActionAid International USA has an affiliation agreement with ActionAid International (AAI), a Johannesburg-based organization. Under the terms of the agreement, ActionAid International USA has the exclusive right to use AAI's name in the United States. The original agreement expired on March 2, 2008. Subsequent to year end, the affiliation agreement was renewed through February 3, 2018. Under the agreement, ActionAid International USA is responsible for all fundraising within the United States for international development projects in the countries where partner affiliates work. During the year ended December 31, 2007, ActionAid International USA made grant awards to AAI of \$2,732,774 to support international development projects in the countries where partner affiliates exist. The remaining \$95,000 was awarded to another affiliate of AAI. These amounts are included in grants and sub-grants in the accompanying statement of functional expenses.

Continued

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

5. Affiliation with ActionAid International (continued)

ActionAid International USA also receives a subsidy from AAI to help cover operating expenses. During the year ended December 31, 2007, ActionAid International USA received \$1,329,000 from AAI related to this subsidy, which represents 29% of ActionAid International USA's total revenue and support. This amount is included in grant revenue in the accompanying statement of activities. As of December 31, 2007, the net amount owed ActionAid International USA, from AAI related to this agreement was \$348,643 and is included in accounts receivable in the accompanying statement of financial position.

6. 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 International USA are eligible to participate in the plan. For the year ended December 31, 2007, pension expense totaled \$39,895 and is included in personnel costs in the accompanying statement of functional expenses.

7. 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 International USA's financial statements for the year ended December 31, 2006, from which the summarized information was prepared.