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Financial Statements

For the Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)



and
Report Thereon





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ActionAid USA

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of ActionAid USA, an affiliate of ActionAid International, as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ActionAid 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 USA's 2009 financial statements and, in our report dated April 28, 2010, we expressed an unqualified opinion on those financial 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ActionAid USA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 USA as of December 31, 2010, 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 22, 2011

ACTIONAID USA
STATEMENT OF FINANCIAL POSITION
December 31, 2010
(With Summarized Financial Information as of December 31, 2009)

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 2,852,385	\$ 2,023,389
Investments	-	1,219,159
Accounts receivable	42,404	5,884
Grants receivable	663,408	3,595,978
Prepaid expenses	1,942	15,089
Property and equipment, net	16,498	49,795
Security deposit	10,371	10,371
	\$ 3,587,008	\$ 6,919,665
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 136,383	\$ 91,621
Affiliate payable	958,323	1,429,491
Accrued vacation	16,356	11,635
Deferred rent and leasehold incentive liability	24,573	41,717
Deposits held in escrow	2,651	2,651
	1,138,286	1,577,115
TOTAL LIABILITIES		
Net Assets		
Unrestricted		
Undesignated	1,273,522	1,333,336
Board designated	350,000	300,000
	1,623,522	1,633,336
Total Unrestricted Net Assets		
Temporarily restricted	825,200	3,709,214
	2,448,722	5,342,550
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 3,587,008	\$ 6,919,665

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

ACTIONAID USA**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
REVENUE AND SUPPORT				
Grants	\$ 1,854,153	\$ 1,010,396	\$ 2,864,549	\$ 4,253,537
Contributions	506,914	-	506,914	536,033
Interest income	15,088	-	15,088	13,612
Other income	67,236	-	67,236	13,874
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,894,410</u>	<u>(3,894,410)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 <u>6,337,801</u>	 <u>(2,884,014)</u>	 <u>3,453,787</u>	 <u>4,817,056</u>
 OPERATING EXPENSES				
Program Services:				
Women's Rights and HIV/AIDS	2,344,857	-	2,344,857	3,391,772
Policy and Campaign	1,871,724	-	1,871,724	3,088,974
Media	<u>56,706</u>	<u>-</u>	<u>56,706</u>	<u>150,452</u>
 Total Program Services	 <u>4,273,287</u>	 <u>-</u>	 <u>4,273,287</u>	 <u>6,631,198</u>
Supporting Services:				
General and administrative	560,640	-	560,640	537,990
Fundraising	<u>1,513,688</u>	<u>-</u>	<u>1,513,688</u>	<u>761,002</u>
 Total Supporting Services	 <u>2,074,328</u>	 <u>-</u>	 <u>2,074,328</u>	 <u>1,298,992</u>
 TOTAL EXPENSES	 <u>6,347,615</u>	 <u>-</u>	 <u>6,347,615</u>	 <u>7,930,190</u>
 CHANGE IN NET ASSETS	 (9,814)	 (2,884,014)	 (2,893,828)	 (3,113,134)
 NET ASSETS, BEGINNING OF YEAR	 <u>1,633,336</u>	 <u>3,709,214</u>	 <u>5,342,550</u>	 <u>8,455,684</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,623,522</u>	 <u>\$ 825,200</u>	 <u>\$ 2,448,722</u>	 <u>\$ 5,342,550</u>

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

ACTIONAID USA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Program Services			Supporting Services			2010	2009	
	Women's Rights and HIV/AIDS	Policy and Campaign	Media	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Grants and subgrants	\$ 2,344,857	\$ 1,576,566	\$ -	\$ 3,921,423	\$ -	\$ -	\$ -	\$ 3,921,423	\$ 6,220,409
Professional services	-	23,366	27,526	50,892	87,459	1,011,333	1,098,792	1,149,684	310,474
Personnel costs	-	182,267	20,233	202,500	329,667	380,745	710,412	912,912	942,204
Occupancy	-	25,009	2,776	27,785	45,234	52,243	97,477	125,262	127,716
Materials and service	-	15,153	4,741	19,894	35,831	28,505	64,336	84,230	108,219
Travel and transportation	-	34,814	-	34,814	29,209	9,014	38,223	73,037	135,463
Depreciation and amortization	-	6,648	738	7,386	12,024	13,887	25,911	33,297	56,096
Miscellaneous	-	6,232	692	6,924	11,271	13,017	24,288	31,212	8,897
Equipment	-	1,669	-	1,669	9,945	4,944	14,889	16,558	20,712
TOTAL EXPENSES	\$ 2,344,857	\$ 1,871,724	\$ 56,706	\$ 4,273,287	\$ 560,640	\$ 1,513,688	\$ 2,074,328	\$ 6,347,615	\$ 7,930,190

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

ACTIONAID USA**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,893,828)	\$ (3,113,134)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	33,297	56,096
Discount on grants receivable	(18,243)	(264,703)
Donated securities	(5,884)	-
Changes in assets and liabilities:		
Accounts receivable	(36,520)	405,315
Grants receivable	2,950,813	2,688,262
Prepaid expenses	13,147	3,737
Accounts payable and accrued expenses	44,762	75,863
Affiliate payable	(471,168)	1,429,491
Accrued vacation	4,721	(788)
Deferred rent and leasehold incentive liability	(17,144)	(13,429)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(396,047)</u>	<u>1,266,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,455)	(2,586,768)
Sales of investments	1,229,498	2,076,186
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,225,043</u>	<u>(510,582)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	828,996	756,128
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,023,389</u>	<u>1,267,261</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,852,385</u>	<u>\$ 2,023,389</u>

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

ACTIONAID USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

1. Organization and Summary of Significant Accounting Policies

Organization

ActionAid USA is the U.S. affiliate of ActionAid International (AAI), an anti-poverty agency working in 49 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. During the year ended December 31, 2010, ActionAid USA changed its name from ActionAid International USA.

Basis of Presentation

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.

Cash and Cash Equivalents

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

Property and Equipment and Related Depreciation and Amortization

Furniture and equipment are capitalized if the cost is more than \$10,000. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets, which is 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 USA are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of ActionAid 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.

Continued

ACTIONAID USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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

Revenue Recognition

Grants and contributions are recorded as revenue 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.

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 grants in the accompanying statement of activities.

Grants and Subgrants Expense

Grants and subgrants expense is recorded on the accompanying statement of functional expenses as ActionAid USA commits to awarding a grant or subgrant to AAI or an affiliate (see Note 6).

Functional Allocation of 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 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.

Continued

ACTIONAID USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

2. Grants Receivable

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

Less than one year	\$ 644,357
One to five years	<u>20,000</u>
Subtotal	664,357
Less: Present value component	<u>(949)</u>
Grants Receivable, Net	<u>\$ 663,408</u>

A discount rate of 1.7% was used to determine the net present value. All amounts are considered fully collectible.

3. Property and Equipment and Accumulated Depreciation and Amortization

ActionAid USA held the following property and equipment as of December 31, 2010:

Furniture, equipment and leasehold improvements	\$ 206,530
Less: Accumulated depreciation and amortization	<u>(190,032)</u>
Property and Equipment, Net	<u>\$ 16,498</u>

Depreciation and amortization expense was \$33,297 for the year ended December 31, 2010.

4. Temporarily Restricted Net Assets

As of December 31, 2010, temporarily restricted net assets were available for the following programs and projects:

Women's Rights and HIV/AIDS	\$ 534,357
IFI and Global Governance	213,000
Food and Hunger	<u>77,843</u>
Total	<u>\$ 825,200</u>

Continued

ACTIONAID USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

5. Commitments and Risks

Operating Lease

During the year ended December 31, 2006, ActionAid USA entered into a noncancelable 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 USA received from the landlord a leasehold improvement allowance of \$70,708. Under generally accepted accounting principles (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 incentive liability in the accompanying statement of financial position. As of December 31, 2010, future minimum rental payments required under the lease are as follows:

For the Year Ending <u>December 31,</u>	
2011	\$ 131,394
2012	<u>22,006</u>
Total	<u>\$ 153,400</u>

ActionAid USA also subleased a portion of its space through a sublease agreement, which expired in December 2010. Sublease income was \$16,846 for the year ended December 31, 2010, and the lease was not renewed.

Rent expense was \$125,262 for the year ended December 31, 2010.

Concentration of Credit Risk

ActionAid USA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2010, ActionAid USA held \$2,007,844 in saving accounts, which exceeded the maximum limit insured by the FDIC by approximately \$1,507,844. ActionAid USA monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Continued

ACTIONAID USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

6. Affiliation with ActionAid International

ActionAid USA has an affiliation agreement with 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 3, 2018. Under the agreement, ActionAid 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, 2010, ActionAid USA made grant awards to AAI of \$3,876,423 to support international development projects in the countries where partner affiliates exist. This amount is included in grants and subgrants in the accompanying statement of functional expenses.

ActionAid USA also receives a subsidy from AAI to help cover operating expenses. During the year ended December 31, 2010, ActionAid USA received \$1,695,000 from AAI related to this subsidy, which represents 49% of ActionAid USA's total revenue and support. This amount is included in grants revenue in the accompanying statement of activities.

As of December 31, 2010, the net amount payable by ActionAid USA to AAI related to this agreement was \$958,323 and is included in affiliate payable in the accompanying statement of financial position.

7. Pension Plan

ActionAid 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, 2010, pension expense totaled \$23,266 and is included in personnel costs in the accompanying statement of functional expenses.

8. Income Taxes

ActionAid 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 USA had no net unrelated business income.

ActionAid USA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a

ACTIONAID USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

8. Income Taxes (continued)

tax return. ActionAid USA performed an evaluation of uncertain tax positions for the year ended December 31, 2010, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2010, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which ActionAid USA files tax returns. It is ActionAid USA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2010, ActionAid USA had no accruals for interest and/or penalties.

9. 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, 2009, from which the summarized information was prepared.

10. Subsequent Events

ActionAid USA's management has evaluated subsequent events through April 22, 2011, the date the financial statements were available to be issued.

During March and April 2011, AAUSA entered into separation agreements with its Executive Director and Development Director and is obligated to pay additional compensation to these employees under the terms of the agreements.