



Financial Statements

For the Year Ended December 31, 2008

(With Summarized Financial Information for the Year Ended December 31, 2007)



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ActionAid International USA

CONSULTING
ACCOUNTING
TECHNOLOGY

CERTIFIED PUBLIC
ACCOUNTANTS

We have audited the accompanying statement of financial position of ActionAid International USA, an affiliate of ActionAid International, as of December 31, 2008, 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 2007 financial statements and, in our report dated April 28, 2008, 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 International 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 International USA as of December 31, 2008 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
May 28, 2009

ACTIONAID INTERNATIONAL USA

STATEMENT OF FINANCIAL POSITION

December 31, 2008

(With Summarized Financial Information as of December 31, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,267,261	\$ 1,407,965
Investments	708,577	301,377
Accounts receivable	411,199	351,123
Grants receivable	6,019,537	7,387,220
Prepaid expenses	18,826	13,485
Furniture, equipment and leasehold improvements	105,891	161,942
Security deposit	10,371	10,371
	<u>8,541,662</u>	<u>9,633,483</u>
TOTAL ASSETS	\$ 8,541,662	\$ 9,633,483
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 15,758	\$ 109,368
Accrued vacation	12,423	12,420
Deferred rent and leasehold incentive liability	55,146	64,968
Deposits held in escrow	2,651	2,651
	<u>85,978</u>	<u>189,407</u>
TOTAL LIABILITIES	85,978	189,407
Net Assets		
Unrestricted		
Unrestricted	1,397,286	760,686
Board designated	300,000	300,000
	<u>1,697,286</u>	<u>1,060,686</u>
Total Unrestricted Net Assets	1,697,286	1,060,686
Temporarily restricted	<u>6,758,398</u>	<u>8,383,390</u>
	<u>8,455,684</u>	<u>9,444,076</u>
TOTAL NET ASSETS	8,455,684	9,444,076
TOTAL LIABILITIES AND NET ASSETS	\$ 8,541,662	\$ 9,633,483

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

ACTIONAID INTERNATIONAL USA**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2008

(With Summarized Financial Information for the Year Ended December 31, 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
REVENUE AND SUPPORT				
Grants	\$ 1,150,000	\$ 2,582,546	\$ 3,732,546	\$ 4,242,005
Contributions	1,099,514	90,780	1,190,294	390,518
Interest income	18,444	-	18,444	9,495
Other income	-	-	-	4,061
Net assets released from restrictions:				
Satisfaction of program restrictions	4,298,318	(4,298,318)	-	-
TOTAL REVENUE AND SUPPORT	6,566,276	(1,624,992)	4,941,284	4,646,079
OPERATING EXPENSES				
Program Services				
Food and Hunger	2,434,651	-	2,434,651	489,933
Women's Rights and HIV/AIDS	2,371,629	-	2,371,629	2,632,000
IFI and Global Governance	235,480	-	235,480	553,293
Media	28,721	-	28,721	158,617
Total Program Services	5,070,481	-	5,070,481	3,833,843
Supporting Services				
General and Administrative	397,002	-	397,002	387,906
Fundraising	462,193	-	462,193	287,441
Total Supporting Services	859,195	-	859,195	675,347
TOTAL EXPENSES	5,929,676	-	5,929,676	4,509,190
CHANGE IN NET ASSETS	636,600	(1,624,992)	(988,392)	136,889
NET ASSETS, BEGINNING OF YEAR	1,060,686	8,383,390	9,444,076	9,307,187
NET ASSETS, END OF YEAR	\$ 1,697,286	\$ 6,758,398	\$ 8,455,684	\$ 9,444,076

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

ACTIONAID INTERNATIONAL USA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2008

(With Summarized Financial Information for the Year Ended December 31, 2007)

	Program Services				Supporting Services			2008 Total	2007 Total	
	Food and Hunger	Women's Rights and HIV/ AIDS	IFI and Global Governance	Media	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Grants and sub-grants	\$ 2,101,500	\$ 2,170,803	\$ 94,811	\$ -	\$ 4,367,114	\$ -	\$ -	\$ -	\$ 4,367,114	\$ 2,827,774
Personnel costs	203,923	97,289	97,259	11,955	410,426	243,958	283,990	527,948	938,374	894,422
Travel and transportation	69,168	44,941	10,281	360	124,750	32,014	46,586	78,600	203,350	363,843
Professional services	6,459	34,302	4,775	12,233	57,769	67,618	36,265	103,883	161,652	150,194
Occupancy	21,642	10,364	10,327	1,266	43,599	25,968	30,144	56,112	99,711	102,399
Materials and service	16,148	6,246	10,514	2,007	34,915	9,071	33,977	43,048	77,963	101,073
Depreciation and miscellaneous	14,743	7,085	6,813	838	29,479	17,092	29,743	46,835	76,314	47,388
Equipment	1,068	599	700	62	2,429	1,281	1,488	2,769	5,198	22,097
Total Expenses	\$ 2,434,651	\$ 2,371,629	\$ 235,480	\$ 28,721	\$ 5,070,481	\$ 397,002	\$ 462,193	\$ 859,195	\$ 5,929,676	\$ 4,509,190

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

ACTIONAID INTERNATIONAL USA**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2008

(With Summarized Financial Information for the Year Ended December 31, 2007)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (988,392)	\$ 136,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	56,051	34,492
Changes in assets and liabilities:		
Accounts receivable	(60,076)	23,032
Grants receivable	1,367,683	974,760
Prepaid expenses	(5,341)	6,603
Security deposit	-	6,048
Accounts payable and accrued expenses	(93,610)	(12,175)
Accrued vacation	3	(9,157)
Deferred rent and leasehold incentive liability	(9,822)	64,968
Deposits held in escrow	-	2,651
	<u>266,496</u>	<u>1,228,111</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(407,200)	(301,377)
Purchases of property and equipment	-	(148,631)
	<u>(407,200)</u>	<u>(450,008)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,704)	778,103
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,407,965</u>	<u>629,862</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,267,261</u>	<u>\$ 1,407,965</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash investing activity - leasehold allowance	<u>\$ -</u>	<u>\$ 70,708</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, 2008

1. Organization and Summary of Significant Accounting Policies

Organization

ActionAid International 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 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.

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 (SFAS) 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 accompanying financial statements at their fair value. To maintain funds adequate to meet the operating needs of ActionAid International USA with an initial goal of three months reserves and an intermediate goal of six months reserves.

Fair Value of Financial Instruments

Effective January 1, 2008, ActionAid International USA adopted SFAS No. 157, *Fair Value Measurements*, for financial assets (and liabilities) measured on a recurring basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy based upon the transparency of the inputs to the valuation of

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

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

Fair Value of Financial Instruments (continued)

an asset or liability. These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under SFAS No. 157 are described as follows:

Level 1 - inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 - unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

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.

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

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 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.

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 AAI or an affiliate (see Note 6).

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.

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

2. Investments

As of December 31, 2008, ActionAid International USA has valued all of its investments using quoted prices in active markets for identical assets (Level 1 as described in Note 1 to these financial statements). Investments held by ActionAid International USA consisted of certificates of deposit with a cost of \$700,000 and a market value of \$708,577.

3. Grants Receivable

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

Less than one year	\$ 3,633,619
One to five years	<u>2,669,813</u>
Subtotal	6,303,432
Less: Present value component	<u>(283,895)</u>
Net Grants Receivable	<u>\$ 6,019,537</u>

Discount rates ranging from 1% to 6.5% were used to determine the net present value. All amounts are considered fully collectible.

4. Temporarily Restricted Net Assets

As of December 31, 2008 temporarily restricted net assets were available for the following programs and projects:

Women's Rights and HIV/AIDS	\$ 4,362,438
IFI and Global Governance	1,873,308
Food and Hunger	<u>522,652</u>
Total	<u>\$ 6,758,398</u>

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

5. 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 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, 2008, future minimum rental payments required under the lease are as follows:

For the Years Ending December 31,	
2009	\$ 123,851
2010	127,567
2011	131,394
Thereafter	<u>22,006</u>
Total	<u>\$ 404,818</u>

ActionAid International USA also subleases a portion of its space through a sub-lease agreement which expires in February 2009. Future minimum receipt from the sublease agreement is \$1,341.

Rent expense for the year ended December 31, 2008 was \$107,640 net of sublease income of \$7,929.

Concentration of Credit Risk

The maximum limit insured by the Federal Deposit Insurance Corporation (FDIC) was \$100,000 per depositor at a financial institution until October 3, 2008 when the FDIC temporarily increased the limit from \$100,000 to \$250,000. The increased FDIC coverage expires at the end of 2009. Cash and cash equivalent at times exceed the amount guaranteed by the FDIC and therefore bear some risk. ActionAid International USA has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2008, the amount in excess of the FDIC limit was \$411,975.

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

6. 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. During the year ended December 31, 2008, 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, 2008, ActionAid International USA made grant awards to AAI of \$3,195,803 to support international development projects in the countries where partner affiliates exist. The remaining \$1,171,311 was awarded to another affiliate of AAI. These amounts are included in grants and sub-grants in the accompanying statement of functional expenses.

ActionAid International USA also receives a subsidy from AAI to help cover operating expenses. During the year ended December 31, 2008, ActionAid International USA received \$1,110,000 from AAI related to this subsidy, which represents 22% 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, 2008, the net amount owed ActionAid International USA, from AAI related to this agreement was \$389,946 and is included in accounts receivable in the accompanying statement of financial position.

7. 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, 2008, pension expense totaled \$48,328 and is included in personnel costs in the accompanying statement of functional expenses.

8. 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.

ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

8. Income Taxes (continued)

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which is an interpretation of SFAS No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing ActionAid International USA's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current year. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Any cumulative effect from the change in accounting principle resulting from the application of FIN 48 is to be recognized as an adjustment to opening net assets.

In December 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FIN 48, to its annual financial statements for fiscal years beginning after December 15, 2008. ActionAid International USA has elected to defer the application of Interpretation 48 for the year ended December 31, 2008. ActionAid International USA evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

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 International USA's financial statements for the year ended December 31, 2007, from which the summarized information was prepared.