



Financial Statements

For the Year Ended December 31, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)



**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, 2009, 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 2008 financial statements and, in our report dated May 28, 2009, 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, 2009, 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, 2010

ACTIONAID INTERNATIONAL USA
STATEMENT OF FINANCIAL POSITION
December 31, 2009
(With Summarized Financial Information as of December 31, 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,023,389	\$ 1,267,261
Investments	1,219,159	708,577
Accounts receivable	5,884	21,253
Grants receivable	3,595,978	6,019,537
Affiliate receivable	-	389,946
Prepaid expenses	15,089	18,826
Furniture, equipment and leasehold improvements	49,795	105,891
Security deposit	10,371	10,371
	\$ 6,919,665	\$ 8,541,662
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 91,621	\$ 15,758
Affiliate payable	1,429,491	-
Accrued vacation	11,635	12,423
Deferred rent and leasehold incentive liability	41,717	55,146
Deposits held in escrow	2,651	2,651
	1,577,115	85,978
TOTAL LIABILITIES		
Net Assets		
Unrestricted		
Unrestricted	1,333,336	1,397,286
Board designated	300,000	300,000
	1,633,336	1,697,286
Total Unrestricted Net Assets		
Temporarily restricted	3,709,214	6,758,398
	5,342,550	8,455,684
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 6,919,665	\$ 8,541,662

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

ACTIONAID INTERNATIONAL USA**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
REVENUE AND SUPPORT				
Grants	\$ 1,381,121	\$ 2,872,416	\$ 4,253,537	\$ 3,732,546
Contributions	536,033	-	536,033	1,190,294
Interest income	13,612	-	13,612	18,444
Other income	13,874	-	13,874	-
Net assets released from restrictions:				
Satisfaction of program restrictions	5,921,600	(5,921,600)	-	-
TOTAL REVENUE AND SUPPORT	7,866,240	(3,049,184)	4,817,056	4,941,284
OPERATING EXPENSES				
Program Services				
Women's Rights and HIV/AIDS	3,391,772	-	3,391,772	2,371,629
Policy and Campaign	3,088,974	-	3,088,974	235,480
Media	150,452	-	150,452	28,721
Food and Hunger	-	-	-	2,434,651
Total Program Services	6,631,198	-	6,631,198	5,070,481
Supporting Services				
General and administrative	537,990	-	537,990	397,002
Fundraising	761,002	-	761,002	462,193
Total Supporting Services	1,298,992	-	1,298,992	859,195
TOTAL EXPENSES	7,930,190	-	7,930,190	5,929,676
CHANGE IN NET ASSETS	(63,950)	(3,049,184)	(3,113,134)	(988,392)
NET ASSETS, BEGINNING OF YEAR	1,697,286	6,758,398	8,455,684	9,444,076
NET ASSETS, END OF YEAR	<u>\$ 1,633,336</u>	<u>\$ 3,709,214</u>	<u>\$ 5,342,550</u>	<u>\$ 8,455,684</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, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

	Program Services			Supporting Services			2009	2008	
	Women's Rights and HIV/AIDS	Policy and Campaign	Media	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Grants and subgrants	\$ 3,391,772	\$ 2,828,637	\$ -	\$ 6,220,409	\$ -	\$ -	\$ -	\$ 6,220,409	\$ 4,367,114
Personnel costs	-	144,322	83,893	228,215	296,483	417,506	713,989	942,204	938,374
Professional services	-	24,777	23,763	48,540	91,976	169,958	261,934	310,474	203,350
Travel and transportation	-	40,024	8,758	48,782	44,175	42,506	86,681	135,463	161,652
Occupancy	-	19,563	11,372	30,935	40,188	56,593	96,781	127,716	99,711
Materials and service	-	22,218	17,671	39,889	32,753	35,577	68,330	108,219	77,963
Depreciation, amortization and miscellaneous	-	9,301	4,995	14,296	21,617	29,080	50,697	64,993	76,314
Equipment	-	132	-	132	10,798	9,782	20,580	20,712	5,198
Total Expenses	\$ 3,391,772	\$ 3,088,974	\$ 150,452	\$ 6,631,198	\$ 537,990	\$ 761,002	\$ 1,298,992	\$ 7,930,190	\$ 5,929,676

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

ACTIONAID INTERNATIONAL USA**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,113,134)	\$ (988,392)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	56,096	56,051
Discount on grants receivable	(264,703)	389,638
Changes in assets and liabilities:		
Accounts and affiliate receivables	405,315	(60,076)
Grants receivable	2,688,262	978,045
Prepaid expenses	3,737	(5,341)
Accounts payable and accrued expenses	75,863	(93,610)
Affiliate payable	1,429,491	-
Accrued vacation	(788)	3
Deferred rent and leasehold incentive liability	(13,429)	(9,822)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,266,710</u>	<u>266,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,586,768)	(407,200)
Sales of investments	<u>2,076,186</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(510,582)</u>	<u>(407,200)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	756,128	(140,704)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,267,261</u>	<u>1,407,965</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,023,389</u>	<u>\$ 1,267,261</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, 2009

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 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.

New Accounting Standard

Effective January 1, 2009, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *FASB Codification* (the Codification). The Codification is the single source of authoritative U.S. generally accepted accounting principles (GAAP). Accordingly, references to GAAP have been updated for the appropriate Codification reference.

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.

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 fair value. ActionAid International USA's goal is to maintain investment fund reserves to adequately meet its operating needs for a period of three to six months.

Fair Value of Financial Instruments

ActionAid International USA values financial assets (and liabilities) measured on a recurring basis in accordance with the accounting standard for fair value measurements. This standard 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

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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

Fair Value of Financial Instruments (continued)

market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standard establishes a fair value hierarchy based upon the transparency of the inputs to the valuation of the net 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 this standard 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.

As of December 31, 2009, only ActionAid International USA's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

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, which 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.

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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, 2009

2. Investments

As of December 31, 2009, ActionAid International USA has valued all of its investments using quoted prices in active markets for identical assets (Level 2, as described in Note 1 to these financial statements). Investments held by ActionAid International USA consisted of certificates of deposit with a cost and fair value of \$1,219,159. The certificates of deposit are valued using a survey from the dealer communities and obtaining dealer/broker quotes on a daily basis.

3. Grants Receivable

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

Less than one year	\$ 3,050,813
One to five years	<u>564,357</u>
Subtotal	3,615,170
Less: present value component	<u>(19,192)</u>
Net Grants Receivable	<u>\$ 3,595,978</u>

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

4. Temporarily Restricted Net Assets

As of December 31, 2009, temporarily restricted net assets were available for the following programs and projects:

Women's Rights and HIV/AIDS	\$ 3,127,499
IFI and Global Governance	424,956
Food and Hunger	153,523
Child Sponsorship	<u>3,236</u>
Total	<u>\$ 3,709,214</u>

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

5. Commitments and Risks

Operating Lease

During the year ended December 31, 2006, ActionAid International 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 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, 2009, future minimum rental payments required under the lease are as follows:

For the Years Ending December 31,	
2010	\$ 127,567
2011	131,394
2012	<u>22,006</u>
Total	<u>\$ 280,967</u>

ActionAid International USA also subleases a portion of its space through a sublease agreement which expires in December 2010. Sublease income was \$13,874 for the year ended December 31, 2009, and the total future minimum receipts from the sublease agreement is \$11,537.

Rent expense was \$127,716 for the year ended December 31, 2009.

Concentration of Credit Risk

ActionAid International USA maintains its cash in bank deposit accounts with various financial institutions. Although, at times, the amount exceeds amounts guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, ActionAid International USA has neither experienced nor anticipates any losses on its funds. The maximum limit insured by the 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 through the end of 2013. As of December 31, 2009, the amount in excess of the FDIC limit was \$1,444,710.

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ACTIONAID INTERNATIONAL USA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

6. Affiliation with ActionAid International

ActionAid International USA has an affiliation agreement with 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 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, 2009, ActionAid International USA made grant awards to AAI of \$6,220,409 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 International USA also receives a subsidy from AAI to help cover operating expenses. During the year ended December 31, 2009, ActionAid International USA received \$1,373,473 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, 2009, the net amount payable by ActionAid International USA to AAI related to this agreement was \$1,429,491 and is included in accounts payable and accrued expenses 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, 2009, pension expense totaled \$50,632 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, 2009

8. Income Taxes (continued)

Effective January 1, 2009, ActionAid International USA adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in 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 tax return. ActionAid International USA performed an evaluation of uncertain tax positions for the year ended December 31, 2009, and determined that there were no matters that would require recognition in the financial statements or which may have any affect on its tax-exempt status. As of December 31, 2009, the statute of limitations for tax years 2006 through 2008 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which ActionAid International USA files tax returns. It is ActionAid International USA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2009, ActionAid International 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 International USA's financial statements for the year ended December 31, 2008, from which the summarized information was prepared.

10. Subsequent Events

ActionAid International USA's management has evaluated subsequent events through April 28, 2010, the date the financial statements were available to be issued. There were no subsequent events identified that were required to be disclosed in these financial statements through April 28, 2010.