
Financial statements of
Action Contre La Faim (Canada)/
Action Against Hunger (Canada)

December 31, 2018

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Independent Auditor's Report

To the Board of Directors of
Action Contre La Faim (Canada)/
Action Against Hunger (Canada)

Opinion

We have audited the financial statements of Action Contre La Faim (Canada)/Action Against Hunger (Canada) (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP


Chartered Professional Accountants
Licensed Public Accountants
June 14, 2019


**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Statement of financial position
As at December 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		1,023,528	1,394,784
Restricted cash		832,918	351,250
Grants and other assets		455,038	171,829
Sales taxes recoverable		36,641	52,227
Deposits and prepaid expenses		21,097	12,315
Receivables and grant advances - other Action Against Hunger agencies	3	275,783	402,588
		2,645,005	2,384,993
Capital assets	4	19,798	15,281
		2,664,803	2,400,274
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	120,013	97,737
Deferred grants	7	432,918	726,048
Accounts payable - other Action Against Hunger agencies	8(a)	384,786	—
		937,717	823,785
Non-Current liabilities			
Loans and other payables - other Action Against Hunger agencies	8(b)	1,068,577	1,394,400
		2,006,294	2,218,185
Net assets			
Invested in capital assets		19,798	15,281
Unrestricted		638,711	166,808
		658,509	182,089
		2,664,803	2,400,274
Commitments	9		

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

Approved by the Board


_____, Director


_____, Director

**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Statement of revenue and expenses
Year ended December 31, 2018

	Notes	2018	2017
		\$	\$
Revenue			
Programme revenue	7 and 14	2,524,533	1,375,049
Revenue received from Action Against Hunger International	11(b)	518,341	426,296
Donations		408,563	410,644
Trainings provided		56,349	—
Management fees and other		46,239	123,530
		3,554,025	2,335,519
Expenses			
Programme expenses	11(a) and 14	1,323,460	735,758
Salaries and benefits		1,746,476	1,050,270
Fundraising		103,856	110,867
Travel		38,122	29,798
Rent		55,454	37,368
Advertising		2,363	1,210
Telecommunications and information technology		13,841	7,858
Office and general administration		57,173	63,073
Interest and bank charges		3,320	2,486
Amortization of capital assets		5,672	4,543
Foreign exchange (gain) loss		(13,608)	25,456
		3,336,129	2,068,687
Excess of revenue over expenses before the undernoted	11 (c)	217,896	266,832
Waived loan		258,524	—
Excess of revenue over expenses for the year		476,420	266,832

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

**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Statement of changes in net assets
Year ended December 31, 2018

	Invested in capital assets	Unrestricted	2018 Total	2017 Total
	\$	\$	\$	\$
Balances, beginning of year	15,281	166,808	182,089	(84,743)
(Deficiency) excess of revenue over expenses for the year	(5,672)	482,092	476,420	266,832
Acquisition of capital assets	10,189	(10,189)	—	—
Balances, end of year	19,798	638,711	658,509	182,089

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

**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Statement of cash flows
Year ended December 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Excess of revenue over expenses for the year		476,420	266,832
Items not affecting cash			
Amortization of capital assets		5,672	4,543
Waived loan		(258,524)	—
		223,568	271,375
Net change in non-cash working capital items	10	(102,967)	(132,822)
		120,601	138,553
Investing activities			
Loans, net		—	294,000
Acquisition of capital assets		(10,189)	(3,982)
		(10,189)	290,018
Increase in cash		110,412	428,571
Cash, beginning of year		1,746,034	1,317,463
Cash, end of year		1,856,446	1,746,034
Comprised of			
Cash		1,023,528	1,394,784
Restricted cash		832,918	351,250
		1,856,446	1,746,034

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

1. Purpose of the Organization

Action Contre La Faim (Canada)/Action Against Hunger (Canada) (the "Organization") was incorporated under Part II of the Canada Corporations Act and is a non-profit organization as defined in the Income Tax Act. The Organization was continued under the Canada Not-for-Profit Corporations Act on April 25, 2013. It has the objective of the fight against hunger in the world through the prevention, detection and treatment of malnutrition, by intervening during and after emergency situations of social conflict, war and natural disaster. The Organization also implements development projects and programmes in Canada and internationally.

The Organization is part of Action Against Hunger International and shares a common objective and vision as Action Contre La Faim, Action Against Hunger UK, Accion Contra El Hambre and Action Against Hunger USA. The Organization has an economic interest in the other Action Against Hunger agencies based on the financial support by way of various grants provided to assist in the implementation of the Organization's common vision. The Organization has subcontracting agreements with the other Action Against Hunger agencies when they perform work on behalf of the Organization with regards to certain projects and programmes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPOs"), and include the following significant policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. The unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government grants for non-specific uses are taken into revenue over the period to which they apply. Government grants pertaining to specific programmes are recognized as revenue as related programme expenses are incurred.

Revenues from donations are recognized when received.

Interest income is recognized as revenue when earned.

Donations of goods and services

The Organization receives donations of goods and services that contribute directly or indirectly to maintain its activities. These gifts are not accounted for because their fair value cannot be reasonably estimated.

Grants receivable

Grants receivable represents the difference between funds received and the amounts spent for specific programmes.

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful life as follows:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Computer software	3 year straight-line
Website	30% declining balance

2. Significant accounting policies (continued)

Impairment of long-lived assets

Long-lived assets, which comprise capital assets, are reviewed for impairment when certain events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value calculated using discounted cash flows.

Deferred revenue

Deferred revenue represents the difference between the funds received and the revenue recognized for specific programmes.

Foreign exchange

The Organization follows the temporal method to translate its foreign currency balances and transactions into Canadian dollars. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at year-end and the other Statement of financial position items and Statement of revenue and expenses items are translated at the monthly average exchange rates. Exchange gains and losses are included in the excess (deficiency) of revenue over expenses for the year.

Financial instruments

Measurement of financial instruments

The Organization's financial assets are comprised of cash, restricted cash, grants and other receivable, deposits, and receivables and grant advances. Financial liabilities are comprised of accounts payable and accrued liabilities, and loans and other payable.

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, financial assets and financial liabilities are recorded at amortized cost. The cost of financial instruments approximates their fair value due to their short-term nature.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess (deficiency) of revenue over expenses. The previously recognized impairment loss (if any) may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses.

Use of estimates

The preparation of the financial statements in accordance with Canadian ASNPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. Primary components of these financial statements which include estimates are: capital assets with respect to useful life and amortization; accrued liabilities; and deferred grants. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Notes to the financial statements
December 31, 2018

3. Receivables and grant advances - other Action Against Hunger agencies

	2018	2017
	\$	\$
Action Contre la Faim	—	59,520
Action Against Hunger USA	—	171,310
Accion Contra El Hambre	198,122	140,081
Action Against Hunger UK	77,661	31,677
	275,783	402,588

4. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Furniture and fixtures	16,250	12,914	3,336	3,470
Computer hardware	48,502	32,281	16,221	11,467
SMART website	5,780	5,539	241	344
	70,532	50,734	19,798	15,281

5. Financing facility

The Organization has a line of credit of \$40,000. No amounts had been withdrawn as at December 31, 2018 and 2017. Bank indebtedness, outstanding at any time, is due on demand, bears interest at 3.75% and is unsecured.

6. Accounts payable and accrued liabilities

	2018	2017
	\$	\$
Trade and accrued liabilities	101,531	87,419
Salaries payable	18,482	10,318
Government remittances	—	—
	120,013	97,737

**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Notes to the financial statements
December 31, 2018

7. Deferred grants

	Global Affairs Canada	SMART*	Gender	Other	2018 Total	2017 Total
	\$	\$	\$	\$	\$	\$
Opening balances	8,461	272,651	9,193	435,743	726,048	360,834
Funding received during the year	162,943	605,145	586,846	635,474	1,990,408	1,638,249
Change in grants receivable**	64,466	(4,043)	56,795	123,777	240,995	102,014
Revenue recognized during the year	(235,870)	(715,243)	(652,834)	(920,586)	(2,524,533)	(1,375,049)
Closing balances	—	158,510	—	274,408	432,918	726,048

* Standardized Monitoring and Assessment of Relief and Transition.

** Includes foreign exchange gain (loss).

**Action Contre La Faim (Canada)/
Action Against Hunger (Canada)**
Notes to the financial statements
December 31, 2018

8. Loans and other payable

(a) *Current accounts payable - other Action Against Hunger agencies*

	2018	2017
	\$	\$
Action Contre La Faim	189,258	—
Action Against Hunger USA	71,750	—
Action Against Hunger Guatemala	123,778	—
	384,786	—

(b) *Non-current loans and other payable - other Action Against Hunger agencies*

	2018	2017
	\$	\$
Loans and other payable, unsecured, non-interest bearings, due on various dates up to 2026		
Action Contre La Faim	758,244	833,971
Action Against Hunger UK	16,333	16,333
Accion Contra El Hambre	294,000	294,000
Action Against Hunger USA (Note 11(c))	—	250,096
	1,068,577	1,394,400

9. Commitments

The Organization is committed under an agreement with the Government of Canada, to source Canadian contributions commencing on October 14, 2016 in the amount of \$1,303,842 for the Systems Enhancement for Transformative Health (a new programme) until March 31, 2020. As at December 31, 2018, the Organization's contribution to the programme was \$610 488 (as at December 31, 2017 - \$156,282).

10. Cash flows

Net change in non-cash working capital items is comprised of the following:

	2018	2017
	\$	\$
Grants and other assets	(283,209)	(118,887)
Sales taxes recoverable	15,586	18,883
Deposits and prepaid expenses	(8,782)	1,966
Receivables and grant advances - other		
Action Against Hunger agencies	126,805	(376,420)
Accounts payable and accrued liabilities	22,276	(29,658)
Deferred grants	(293,130)	365,214
Loans and other payable - other		
Action Against Hunger agencies	317,487	6,080
	(102,967)	(132,822)

11. Related party transactions

During the year, the following transactions occurred:

- (a) Action Against Hunger International – Humanitarian crises expenses in the amount of \$17,334 (\$34,335 in 2017) were incurred by other Action Against Hunger agencies on behalf of the Organization and are included in Program expenses. Also refer to Note 14.
- (b) Revenue received from Action Against Hunger International in the amount of \$518,341 (\$426,296 in 2017) was received from other Action Against Hunger agencies.
- (c) During the year, Action Against Hunger USA waived the repayment of a loan in the amount of \$258,524 (including a revaluation amount of \$8,428).

These transactions occurred in the normal course of business and were determined at the exchange value, which is the amount of consideration determined and agreed to by the Organization and its related parties.

12. Financial instruments

Currency risk

The Organization realizes some of its transactions in foreign currencies. Consequently, it is exposed to fluctuations of these currencies. As at December 31, 2018, assets and liabilities denominated in other currencies are as follows:

	US dollars		Euros		British pound		Swedish Krona	
	2018 \$	2017 \$	2018 €	2017 €	2018 £	2017 £	2018 kr	2017 kr
Cash	393,572	365,301	—	—	—	—	—	—
Loans and receivables – other Action Against Hunger agencies	42,737	58,442	1,136	24,000	3,000	3,000	—	—
Deferred grants	27,661	—	—	—	—	—	841,550	3,000
Grant receivable	176,242	131,136	—	—	—	—	—	—
Loans and other payable – other Action Against Hunger agencies	90,934	465,618	449,285	325,507	—	—	—	—

Interest rate risk

As noted in Note 5, the Organization has a line of credit at a fixed rate of interest which is not subject to interest rate fluctuations and, accordingly, this minimizes the interest rate exposure.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulties in meeting obligations associated with financial liabilities. The Organization manages its liquidity risk by constantly monitoring forecasted and annual cash flows and financial liability maturities, by holding assets that are liquid or readily convertible to cash, by maintaining access to additional financing from other Action Against Hunger agencies and by increasing fundraising activities.

13. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to disclosure are as follows:

- (a) The Organization has provided indemnities under a lease agreement for the use of an operating facility. Under the terms of this agreement, the Organization agrees to indemnify the counter parties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after, the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) The Organization indemnifies all directors and volunteers for various items, including but not limited to, all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

There were no known actions as at December 31, 2018 and 2017.

14. Funding Agreement

In 2016, GAC changed its method of funding certain programs. During 2016, 2017 and 2018, programs that were previously funded through the Organization were instead funded directly to the Organization's implementing partners. This resulted in a decrease in the amount of funding received during those years. In 2018, program revenue would have been \$28,577,225 (\$20,286,664 in 2017) had this change not occurred. In 2019, GAC has reverted to the former funding method.