

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)
Financial Statements
December 31, 2019

Action Contre La Faim (Canada)/ Action Against Hunger (Canada) Contents

For the year ended December 31, 2019

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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, 2019, and the statements of operations, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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. 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 opinion.

Other Matter

The financial statements of the Organization for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 14, 2019.

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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Mississauga, Ontario

June 18, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

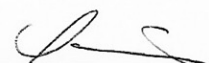
Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Statement of Financial Position


As at December 31, 2019

	2019	2018
Assets		
Current		
Cash	1,969,969	1,856,446
Grants and other assets	576,125	455,037
Sales taxes recoverable	60,485	36,641
Prepaid expenses and deposits	32,127	21,097
Receivables and grant advances - other Action Against Hunger agencies (Note 3)	3,669,475	275,783
	6,308,181	2,645,004
Capital assets (Note 4)	17,856	19,798
	6,326,037	2,664,802
Liabilities		
Current		
Accounts payable and accrued liabilities	239,239	120,012
Deferred grants (Note 5)	4,245,079	432,918
Accounts payable - other Action Against Hunger agencies (Note 7)	214,742	384,786
	4,699,060	937,716
Loans and other payables - other Action Against Hunger agencies (Note 7)	877,669	1,068,577
	5,576,729	2,006,293
Net Assets		
Invested in capital assets	17,856	19,798
Unrestricted	328,033	238,711
Internally restricted	403,419	400,000
	749,308	658,509
	6,326,037	2,664,802

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Statement of Operations

For the year ended December 31, 2019

	2019	2018
Revenue		
Programme revenue (Note 8)	6,558,482	2,524,533
Revenue from Action Against Hunger International	608,353	518,341
Donations	411,688	408,563
Professional services	167,490	56,349
Management fees and other	62,833	46,239
	7,808,846	3,554,025
Expenses		
Programs	5,167,224	1,323,459
Salaries and benefits	2,220,913	1,746,476
Fundraising	94,763	103,856
General and administration	88,480	57,174
Rent	73,566	55,454
Travel	46,045	38,123
Telecommunications and information technology	18,199	13,841
Amortization	6,644	5,672
Interest and bank charges	2,920	3,320
Advertising	-	2,363
	7,718,754	3,349,738
Excess of revenue over expenses before other items	90,092	204,287
Other items		
Foreign exchange gain	707	13,608
Waived loans	-	258,525
Excess of revenue over expenses	90,799	476,420

The accompanying notes are an integral part of these financial statements

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)
Statement of Changes in Net Assets
For the year ended December 31, 2019

	<i>Invested in capital assets</i>	<i>Unrestricted</i>	<i>Internally restricted</i>	2019	<i>2018</i>
Net assets, beginning of year	19,798	238,711	400,000	658,509	182,089
Excess (deficiency) of revenue over expenses	(6,644)	97,443	-	90,799	476,420
Acquisition of capital assets	4,702	(4,702)	-	-	-
Internally restricted (Note 9)	-	(3,419)	3,419	-	-
Net assets, end of December 31, 2019	17,856	328,033	403,419	749,308	658,509

The accompanying notes are an integral part of these financial statements

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	90,799	476,420
Amortization	6,644	5,672
Waived loan	-	(258,524)
Services applied against advances	(95,095)	-
	2,348	223,568
Changes in working capital accounts		
Grants and other assets	(121,088)	(283,208)
Sales taxes recoverable	(23,844)	15,586
Prepaid expenses and deposits	(11,030)	(8,782)
Receivables and grant advances - other Action Against Hunger agencies	(3,393,692)	126,805
Accounts payable and accrued liabilities	119,227	22,275
Deferred grants	3,812,161	(293,130)
Accounts payable - and other Action Against Hunger agencies	(189,811)	377,487
	194,271	180,601
Financing		
Loans and other payable - other Action Against Hunger agencies	(76,046)	(60,000)
Investing		
Acquisition of capital assets	(4,702)	(10,189)
Increase in cash	113,523	110,412
Cash, beginning of year	1,856,446	1,746,034
Cash, end of year	1,969,969	1,856,446

The accompanying notes are an integral part of these financial statements

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Notes to the Financial Statements

For the year ended December 31, 2019

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's 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 ("ASNPO") set out in Part III of the CPA Canada Handbook - Accounting as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles and include the following significant accounting policies:

Basis of presentation

The Organization follows the deferral method of accounting for contributions and reports using fund accounting.

Unrestricted net assets represents amounts available to support ongoing operations.

Internally restricted net assets represent funds set aside by the Board as a contingency reserve against extraordinary events. Funds may only be accessed at the Board's discretion.

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:

	Method	Rate
Computer equipment	declining balance	30 %
Furniture and fixtures	declining balance	20 %
Website	declining balance	30 %
Computer software	straight line	3 years

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Notes to the Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies (Continued from previous page)

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.

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.

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 operations items are translated at the monthly average exchange rates. Exchange gains and losses are included in the excess of revenue over expenses for the year.

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
For the year ended December 31, 2019

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

	2019	2018
Action Contre la Faim	2,507,170	-
Action Contra El Hambre	1,075,075	198,122
Action Against Hunger USA	85,216	-
Action Against Hunger UK	1,350	77,661
Other	664	-
	3,669,475	275,783

4. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	51,726	37,981	13,745	16,221
Furniture and fixtures	17,729	13,786	3,943	3,336
Website	5,780	5,612	168	241
	75,235	57,379	17,856	19,798

5. Deferred grants

	Global Affairs Canada	SMART	Gender	Other	2019	2018
Opening balances	-	158,510	-	274,409	432,919	726,048
Funding received during the year	7,400,000	557,908	788,472	474,841	9,221,221	1,990,408
Change in grants receivable	-	1,205	(110,074)	(680)	(109,549)	240,995
Revenue recognized during the year	(3,880,091)	(430,897)	(661,674)	(326,850)	(5,299,512)	(2,524,533)
	3,519,909	286,726	16,724	421,720	4,245,079	432,918

SMART represents the Standardized Monitoring and Assessment of Relief and Transition.

Changes in grants receivable includes foreign exchange gains and losses.

6. Banking facility

The Organization has a line of credit facility with its bank in the amount of \$40,000 (2018 - \$40,000), bearing interest at 3.75%, unsecured and due on demand. As at December 31, 2019, the Organization has drawn \$Nil (2018 - \$Nil) from the facility.

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Notes to the Financial Statements

For the year ended December 31, 2019

7. Loans and other payable

	2019	2018
Accounts payable - other Action Against Hunger agencies		
Action Against Hunger Guatemala	132,827	123,778
Kenya	81,915	-
Action Contre La Faim	-	189,258
Action Against Hunger USA	-	71,750
	214,742	384,786
Non-current loans and other payable - other Action Against Hunger agencies		
Action Contre La Faim	662,431	758,244
Action Against Hunger UK	16,333	16,333
Action Contra El Hambre	198,905	294,000
	877,669	1,068,577

Loans and other payables are unsecured, non-interest bearing, due on various dates up to 2027.

8. Related party transactions

Revenue recognized during the year from Action Against Hunger agencies totalled \$2,986,929 (2018 - \$3,244,071).

These transactions occurred in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Internally restricted

During the year, the Organization authorized the addition of \$3,419 (2018 - \$400,000) to internally restricted net assets as a contingency reserve.

10. 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 until March 31, 2020. As at December 31, 2019, the Organization's accumulated contribution to the programme totalled \$1,184,374 (2018 - \$766,170).

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Notes to the Financial Statements

For the year ended December 31, 2019

11. Financial instruments

The Organization, as part of its operations, carries a number of financial assets and liabilities. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization realized some of its transactions in foreign currencies currency for which assets and liabilities balances are subject to exchange rate fluctuations. As at December 31, 2019, the following are denominated in foreign currencies:

	2019 CAD\$	2018 CAD\$
Cash - U.S. dollars	189,438	519,290
Loans and receivables - other Action Against Hunger agencies - U.S. dollars	94,439	56,389
Loans and receivables - other Action Against Hunger agencies - Euros	47,535	1,703
Loans and receivables - other Action Against Hunger agencies - British pound	-	5,152
Deferred grants - U.S. dollars	52,650	36,485
Deferred grants - Swedish Krona	249,580	122,024
Grant receivable - U.S. dollars	158,396	240,429
Loans and other payable - other Action Against Hunger agencies - U.S. dollars	190,113	119,981
Loans and other payable - other Action Against Hunger agencies - Euros	504,332	611,027
Loans and other payable - other Action Against Hunger agencies - British pound	190	-

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization has received long-term interest-free loans and other payables that are exposed to fair value risk.

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.

12. 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:

(i) 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 Organization has purchased property insurance to mitigate the cost of any potential exposure. The maximum amount of any potential future payment cannot be reasonably estimated.

(ii) 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, 2019 and 2018.

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)

Notes to the Financial Statements

For the year ended December 31, 2019

13. 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 2019, program revenue would have been \$18,229,079 (\$28,577,225 in 2018) had this change not occurred. In 2019, GAC has reverted to the former funding method.

14. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Organization's ability to generate revenue and deliver its objectives may be affected.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.