

Financial statements of

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

December 31, 2016

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

December 31, 2016

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## Independent Auditor's Report

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

We have audited the accompanying 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, 2016, the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2016 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.

*Deloitte LLP*

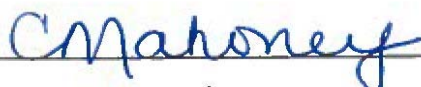
Chartered Professional Accountants  
Licensed Public Accountants  
June 28, 2017

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

Statement of financial position  
as at December 31, 2016

	2016	2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash	956,629	-
Restricted cash	360,834	2,476,634
Grants and other receivable	52,942	22,435
Sales taxes recoverable	71,110	67,972
Deposits and prepaid expenses	14,281	4,479
Receivables and grant advances - other Action Against Hunger agencies (Note 3)	26,168	1,807,723
	<b>1,481,964</b>	<b>4,379,243</b>
Capital assets (Note 4)	15,842	21,859
	<b>1,497,806</b>	<b>4,401,102</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	127,395	380,309
Deferred grants (Notes 7 and 15)	360,834	4,262,048
Loans and other payable - other Action Against Hunger agencies and other (Note 8)	1,094,320	20,607
	<b>1,582,549</b>	<b>4,662,964</b>
<b>Net assets</b>		
Invested in capital assets	15,842	21,859
Unrestricted	(100,585)	(283,721)
	<b>(84,743)</b>	<b>(261,862)</b>
	<b>1,497,806</b>	<b>4,401,102</b>

Approved by the Board

 Director

 Director

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

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

Statement of revenue and expenses  
year ended December 31, 2016

	2016	2015
	\$	\$
<b>Revenue</b>		
Grants - Government of Canada - Global Affairs Canada ("GAC") (Notes 7 and 15)	<b>6,114,957</b>	11,717,920
Grants - Standardized Monitoring and Assessment of Relief and Transition ("SMART") programme and other (Note 7)	<b>770,976</b>	709,663
Revenue received from Action Against Hunger International (Note 11)	<b>207,898</b>	400,629
Action Against Hunger International Expats funding (Note 11)	-	1,723,929
Donations	<b>276,993</b>	229,996
Interest and other (Note 12)	<b>97,206</b>	94,388
Gain on foreign exchange	<b>34,815</b>	8,735
	<b>7,502,845</b>	14,885,260
<b>Expenses</b>		
Grants executed - GAC (Notes 11 and 15)	<b>5,988,574</b>	11,558,815
Action Against Hunger International – Humanitarian crisis	<b>87,569</b>	-
Salaries and benefits - Action Against Hunger International Expats (Note 11)	-	1,723,929
Salaries and benefits	<b>783,373</b>	1,086,672
Programme expenses	<b>270,998</b>	204,528
Fundraising	<b>59,062</b>	71,245
Travel	<b>34,461</b>	41,267
Rent	<b>36,893</b>	49,798
Advertising	<b>600</b>	3,608
Telecommunications and information technology	<b>6,280</b>	35,843
Office and general administration	<b>49,358</b>	117,824
Interest and bank charges	<b>2,541</b>	3,941
Amortization of capital assets	<b>6,017</b>	8,404
	<b>7,325,726</b>	14,905,874
Excess (deficiency) of revenue over expenses before the undernoted item	<b>177,119</b>	(20,614)
Waived loan (Note 8)	-	380,378
<b>Excess of revenue over expenses for the year</b>	<b>177,119</b>	<b>359,764</b>

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

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

Statement of changes in net assets  
year ended December 31, 2016

			2016	2015
	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>21,859</b>	<b>(283,721)</b>	<b>(261,862)</b>	<b>(621,626)</b>
(Deficiency) excess of revenue over expenses for the year	<b>(6,017)</b>	<b>183,136</b>	<b>177,119</b>	<b>359,764</b>
<b>Balance, end of year</b>	<b>15,842</b>	<b>(100,585)</b>	<b>(84,743)</b>	<b>(261,862)</b>

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

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

Statement of cash flows  
year ended December 31, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	177,119	359,764
Items not affecting cash		
Waived loan (Note 8)	-	(380,378)
Amortization of capital assets	6,017	8,404
	<b>183,136</b>	<b>(12,210)</b>
Net change in non-cash working capital items (Note 10)	<b>(1,342,307)</b>	<b>(49,858)</b>
	<b>(1,159,171)</b>	<b>(62,068)</b>
<b>Investing activity</b>		
Acquisition of capital assets	-	(7,776)
Decrease increase in cash	<b>(1,159,171)</b>	<b>(69,844)</b>
Cash, beginning of year	<b>2,476,634</b>	<b>2,546,478</b>
<b>Cash, end of year</b>	<b>1,317,463</b>	<b>2,476,634</b>
<b>Comprised of:</b>		
Cash	<b>956,629</b>	-
Restricted cash	<b>360,834</b>	<b>2,476,634</b>
	<b>1,317,463</b>	<b>2,476,634</b>

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



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

Notes to the financial statements

December 31, 2016

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## 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 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 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

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

Notes to the financial statements

December 31, 2016

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## 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, grants receivable, deposits, and receivables and grant advances. Financial liabilities are comprised of accounts payable and accrued liabilities, and advances and loans 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, 2016

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

	2016	2015
	\$	\$
Action Contre la Faim	-	933,102
Accion Contra El Hambre	-	236,514
Action Against Hunger USA	-	636,770
Action Against Hunger UK	<b>26,168</b>	1,337
	<b>26,168</b>	1,807,723

### 4. Fixed assets

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	15,670	11,333	4,337	5,421
Computer hardware	34,910	23,933	10,977	15,682
Computer software	3,102	3,066	36	54
SMART website	5,781	5,289	492	702
	<b>59,463</b>	<b>43,621</b>	<b>15,842</b>	21,859

### 5. Financing facility

The Organization has a line of credit of \$40,000. No amounts had been withdrawn as at December 31, 2016 and 2015. Bank indebtedness, outstanding at any time, is due on demand, bears interest at 3.75% and is unsecured.

### 6. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Trade and accrued liabilities	118,743	369,348
Salaries payable	8,652	10,766
Government remittances	-	195
	<b>127,395</b>	380,309

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

Notes to the financial statements  
December 31, 2016

## 7. Deferred grants

					2016	2015
	GAC	SMART	SIDA*	Other	Total	Total
	\$	\$	\$	\$	\$	\$
Opening balance	3,947,010	23,734	152,682	138,622	4,262,048	3,470,604
Funding received during the year	2,161,321	545,510	211,197	92,405	3,010,433	13,840,414
Change in grants receivable**	48,928	(68,489)	2,317	(8,470)	(25,714)	(621,387)
Revenue recognized during the year	(6,114,957)	(393,582)	(199,829)	(177,565)	(6,885,933)	(12,427,583)
	42,302	107,173	166,367	44,992	360,834	4,262,048

\* Swedish International Development Cooperation Agency.

\*\* Includes foreign exchange gain (loss).

## 8. Loans and other payable

(a) *Loans and other payable - other Action Against Hunger agencies and other*

	2016	2015
	\$	\$
Loans and other payable, unsecured, non-interest bearing, no specific terms of repayment but due on demand		
Action Contre La Faim	808,630	-
Action Against Hunger UK	16,334	-
Accion Contra El Hambre	5,150	-
Action Against Hunger USA	264,206	-
Other	-	20,607
	1,094,320	20,607

Repayment of a loan of \$380,378 was waived during 2015.

## 9. Commitments

The Organization is committed to minimum rental payments of \$36,000 under its operating lease, which expires in 2017, for its Toronto office.

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. During the year, the Organization's contribution to the programme was \$Nil.

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

Notes to the financial statements  
December 31, 2016

## 10. Cash flows

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

	2016	2015
	\$	\$
Grants and other receivable	(30,507)	812,002
Sales taxes recoverable	(3,138)	(22,715)
Deposits and prepaid expenses	(9,802)	22,571
Receivables and grant advances - other Action Against Hunger agencies	1,781,555	(1,408,644)
Accounts payable and accrued liabilities	(252,914)	70,383
Deferred grants	(3,901,214)	791,444
Loans and other payable - other Action Against Hunger agencies and other	1,073,713	(314,899)
	<b>(1,342,307)</b>	<b>(49,858)</b>

## 11. Related party transactions

During the year, the following transactions occurred:

- (a) Grants executed – GAC in the amount of \$5,988,574 and Action Against Hunger International – Humanitarian crises in the amount of \$87,569 were incurred by other Action Against Hunger agencies on behalf of the Organization.
- (b) Included in the Grants executed – GAC amount of \$5,988,574 above, is \$338,569 (2015 - \$645,023) representing administrative fees paid by the Organization to other Action Against Hunger International agencies to administer certain programmes.
- (c) Revenue received from Action Against Hunger International in the amount of \$81,600 (2015 - \$276,000) was received from other Action Against Hunger agencies.
- (d) Action Against Hunger International Expats funding in the amount of \$Nil (2015 -\$1,723,929) representing funding of salaries and benefits - Action Against Hunger International Expats expense.

These transactions took place 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. Interest and other

Interest and other includes a one-time amount of \$Nil (2015 - \$77,592) relating to previously unrecognized credits.

## 13. 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, 2016, assets and liabilities denominated in other currencies are as follows:

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

Notes to the financial statements  
December 31, 2016

## 13. Financial instruments (continued)

*Currency risk (continued)*

	US dollars		Euros		British pound		Swedish Krona	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	€	€	£	£	kr	kr
Cash	619,728	310,411	-	-	-	-	-	-
Loans receivable								
- other Action Against Hunger agencies	28,415	-	-	-	-	-	-	-
Deferred grants	90,293	17,885	-	-	-	-	1,094,154	998,545
Loans and other payable - other Action Against Hunger agencies	86,286	165,887	31,811	19,973	988	610	-	-

*Interest rate risk*

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.

## 14. 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:

- 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.
- 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, 2016 and 2015.

## 15. Funding agreements

During the year, GAC changed its method of funding certain programs. Programs that were previously funded through the Organization are now funded directly to the Organization's implementing partners. This has resulted in a decrease in the amount of funding received during the year. Grants – Government of Canada - GAC revenue would have been \$10,932,108 had this change not occurred.